

# European Assets Trust PLC

**Report and Accounts 2022**

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#### **Financial Calendar**

First interim dividend paid for 2023	31 January 2023
Announcement of annual results	29 March 2023
Second interim dividend paid for 2023	28 April 2023
Annual General Meeting	18 May 2023
Third interim dividend paid for 2023	31 July 2023
Interim results for 2023 announced	August 2023
Fourth interim dividend paid for 2023	31 October 2023

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#### **Forward-looking statements**

This document may contain forward-looking statements with respect to the financial condition, results of operations and business of the Company. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward-looking statements. The forward-looking statements are based on the Board's current view and on information known to it at the date of this document. Nothing should be construed as a profit forecast.

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# Company Overview

- The Company's objective is to achieve long-term growth of capital through investment in quoted small and medium sized companies in Europe, excluding the United Kingdom. A high distribution policy has been adopted with dividends paid out of current year revenue profits and the Distributable Reserve.
- Through its aim to pay Shareholders a dividend of 6% based on the Net Asset Value (NAV) on 31 December each year, the Company has offered an attractive level of yield – both in absolute terms and relative to other asset classes. Investors seeking long-term capital appreciation meanwhile can choose to reinvest dividends in order to enhance their growth potential.
- The Board seeks to manage liquidity in the Company's shares through its ability to issue or buyback shares dependant on the extent of any share premium or discount. This is designed to reduce the volatility of the Company's share price relative to its Net Asset Value.

Visit our website at **[www.europeanassets.co.uk](http://www.europeanassets.co.uk)**

Registered in England and Wales with company registration number 11672363. Legal Entity Identifier 213800N61H8P3Z4I8726

# Financial Highlights

for the year ended 31 December 2022

**-28.4%**

## Share price performance

The Company recorded a Sterling Share Price total return\* of -28.4% for the year ended 31 December 2022 in comparison to the EMIX Smaller European Companies (ex UK) Index (the "Benchmark") which returned -17.7%.

**-28.2%**

## Net Asset Value per share total return

The Sterling Net Asset Value per share total return\* was -28.2% for the year ended 31 December 2022. Further analysis of this performance is provided in the Chairman's Statement and Investment Manager's Review.

**5.80p**

## Dividend

The Board has declared a total dividend for 2023 of 5.80 pence per share (2022: 8.80 pence per share) in accordance with its aim to pay at a rate of six per cent of the closing Net Asset Value of the preceding year.

**1.03%†**

## Ongoing charges\*

Due to the reduction in net assets during 2022, the ongoing charge of the company has increased to 1.03% from 0.89%. However, since 2012 this charge has been reduced from 1.70%.

## Ten Year Performance<sup>∞</sup> (rebased to 100 at 31 December 2012)

\* Refer to Alternative Performance measures on pages 82 and 83.

† Calculated in accordance with the basis recommended by the AIC.

∞ With effect from 1 April 2021 the benchmark changed from EMIX Smaller European Companies (ex UK) Index (gross) to EMIX Smaller European Companies (ex UK) Index (net).

# Summary of Performance

Investing in European small and medium sized companies to deliver income and capital growth

Total Return for the year ended 31 December	2022		2021	
	Sterling	Euro	Sterling	Euro
Net Asset Value per share*	(28.2%)	(32.0%)	16.3%	24.0%
Share Price*	(28.4%)	(32.3%)	23.2%	31.3%
EMIX Smaller European Companies (ex UK) Index <sup>™</sup>	(17.7%)	(22.1%)	14.9%	22.5%

Capital Return for the year ended 31 December	2022		2021	
	Sterling	Euro	Sterling	Euro
Net assets – millions	£347.6	€391.8	£525.4	€625.8
Net Asset Value per share	£0.97	€1.09	£1.46	€1.74
Share Price	£0.92	€1.03 <sup>†</sup>	£1.40	€1.66 <sup>†</sup>
EMIX Smaller European Companies (ex UK) Index <sup>™</sup>	634.17	714.76	786.06	936.23

Dividend per share for the year ended	2022	2021
	Sterling	Sterling
Total dividends paid	8.80p	8.00p

\* See Alternative Performance Measures on pages 82 and 83 for explanation.

Source: Columbia Threadneedle Investments, Refinitiv Eikon

† Converted in to Euros using the relevant exchange rate at the balance sheet date.

™ With effect from 1 April 2021 the benchmark changed from EMIX Smaller European Companies (ex UK) Index (gross) to EMIX Smaller European Companies (ex UK) Index (net).

Share Price (pence) at 31 December<sup>†</sup>

Net Asset Value per share (pence) at 31 December<sup>†</sup>

<sup>†</sup> European Assets Trust NV prior to the migration on 16 March 2019.

## At 31 December

	2022	2021
Discount to Net Asset Value*	(5.1%)	(4.4%)
(Net cash)/gearing*	(1.3%)	3.2%
Ongoing Charges*	1.03%	0.89%

## 2022 Year's Highs/Lows

	High	Low
Net Asset Value per share	145.49p	84.14p
Share Price	140.25p	77.20p
Premium/(discount) to Net Asset Value	0.6%	(10.8%)

\* See Alternative Performance Measures on pages 83 and 84 for explanation.

Source: Columbia Threadneedle Investments, Refinitiv Eikon

Net dividends paid/declared\* per share - (pence)\*\*

Ongoing charges (%)\*\*†

\* 2023 Sterling dividends declared.

\* See Alternative Performance Measures on pages 82 and 83 for explanation.

\* EAT NV prior to migration on 16 March 2019.

† Until 15 March 2019 dividends were paid by European Assets Trust NV net of Dutch Withholding tax.

# Chairman's Statement

**Jack Perry CBE, Chairman**

## **Fellow Shareholders,**

European Assets Trust PLC ("the Company") recorded a Sterling Net Asset Value ("NAV") total return for the year ended 31 December 2022 of -28.2% (2021: 16.3%). This compares to the total return of its benchmark, the EMIX Smaller European Companies (ex UK) Index, which fell -17.7% (2021: 14.9%) during the same period. With the discount widening from 4.4% as at 31 December 2021 to 5.1% at the year-end, the Sterling share price total return for the year was -28.4% (2021: 23.2%).

The year was clearly very challenging. Almost all asset classes, with the exception of commodities, registered large losses. Global themes of rising inflation, central bank tightening and recession concerns dominated for much of the year. In addition, Europe had to contend with a war on its doorstep exacerbating the already difficult challenges that policy makers faced with rising prices, declining personal incomes and potential gas shortages in the region. Thankfully the worst fears of gas rationing hitting European industrial production were not realised as we entered a mild winter with full gas storage leading to lower prices and better economic data than expected. This helped the year end on a much more positive note with Europe leading global markets higher, perhaps a timely reminder that for long term investors the most challenging periods can lead to the best opportunities.

So while there are plenty of mitigating economic factors, the Company's poor relative performance in 2022 is clearly very disappointing. The principal reason for this underperformance was the dramatic rotation out of quality, growth stocks, into value areas. This created an unusual market where normally stable and defensive areas, such as healthcare, led the market down, while traditionally more volatile and economically sensitive sectors, such as commodities significantly outperformed. Given our quality, growth philosophy, this headwind was too much to overcome. We also were hit by having stock specific exposure to an under-pressure consumer and some 'COVID-19 beneficiaries' that suffered from a normalisation of demand. A more detailed discussion of performance attribution can be found in the Investment Managers Review.

## **Dividend**

The level of dividend paid each year is determined in accordance with the Company's distribution policy. The Company has stated that, barring unforeseen circumstances, it will pay an annual dividend equivalent to six per cent of its NAV at the end of the preceding year. As the net asset value per share of the Company has decreased since 31 December 2021, the dividend has also decreased from 8.80 pence per share in 2022 to 5.80 pence per share in 2023.

While this is unwelcome, it is worth highlighting that the Company's distribution policy offers Shareholders the opportunity of both growth and a high yield from an asset class that comprises some of Europe's most dynamic companies that have significant long-term potential.

This 2023 dividend of 5.80 pence per share is payable in four equal instalments of 1.45 pence on 31 January, 28 April, 31 July and 31 October 2023.

"Europe's valuation metrics continue to look more attractive both in relative and absolute terms. In a very volatile environment there is the risk that any pronouncement one day may look imprudent the next. So, while recognising that risk, we still look forward with a degree of tentative optimism."

A dividend of 1.45 pence per share will be paid on 28 April 2023 to Shareholders on the register on 11 April 2023 with ex-dividend date of 6 April 2023.

## **Ownership of the Manager**

On 8 November 2021, BMO sold its asset management business in Europe, the Middle East and Africa, ("BMO GAM EMEA") to Columbia Threadneedle Investments. Since November 2021, Columbia Threadneedle Investments has been working to integrate both organisations, focused on delivering the best possible outcomes for all clients. The combined business has more than 2,500 staff, including over 650 investment professionals based in North America, Europe and Asia. At 31 December 2022 it managed £485 billion of client assets.

On 4 July 2022, the entire BMO GAM EMEA business was rebranded as Columbia Threadneedle Investments. As part of this process, the Company's appointed Investment Manager, BMO Investment Business Limited, was renamed Columbia Threadneedle Investment Business Limited.

Throughout this process, the Board has sought and received confirmation from senior management at Columbia Threadneedle Investments of the importance of maintaining stability and continuity of the teams which presently support your Company. The Board welcomes these assurances and will keep Shareholders informed of developments as this new relationship evolves.

## **Responsible Investment**

As longstanding Shareholders will know, consideration of Environmental, Social and Governance ("ESG") issues have long been an important part of the investment process. Following the acquisition of BMO GAM EMEA your Manager has one of the largest and longest established teams dedicated to ESG.

There is a detailed report on pages 24 to 27 of the Annual Report which explains the Manager's ESG policies, how these are implemented in the management of the portfolio and its engagement with our investee companies.

## **Directorate Change**

European Assets Trust PLC ("EAT PLC") was incorporated on 12 November 2018. It should though be remembered that EAT PLC is the UK domiciled successor of the Company's Dutch predecessor, European Assets Trust NV ("EAT NV") which was dissolved on 16 March 2019. All of the directors of the Supervisory Board of EAT NV were appointed to the Board of EAT PLC on the date of its incorporation. Although EAT PLC and EAT NV were separate legal entities, for governance purposes, the Board regards the date of first appointment to the Supervisory Board of EAT NV as the date of appointment to the continuing business.

As part of the Board's succession plan and in accordance with corporate governance best practice, it is anticipated that Julia Bond, the Company's Senior Independent Director, will retire on 31 January 2024. Julia was appointed as a Director of the Supervisory Board of the Company's Dutch predecessor, European Assets Trust NV, in April

2014 and upon retirement will have served nine years between both entities. The Company has benefited immensely from Julia's wide ranging financial and market experience. On behalf of the Board and Shareholders of the Company I thank Julia for her diligence and wise counsel throughout her period of appointment. In advance of Julia's retirement, the Board will recruit a new Director.

I was also appointed to the Supervisory Board of the Company's predecessor in April 2014 and became its Chairman with effect from April 2015. In accordance with corporate governance best practice, and to allow a handover period, I announce my intention to retire from the Board at the conclusion of the Company's 2024 Annual General Meeting.

Upon my retirement, Stuart Paterson, who was appointed to the Board in July 2019 will become Chairman. Stuart has extensive sector experience as a technology investor with over 25 years of equity investing in European private companies. Stuart has also been an exceptionally diligent and effective Chair of the Audit and Risk Committee. I know that he will continue to serve the Company well.

As a further part of this plan, a search company was commissioned to find a new Director for the Board. Following a thorough selection process, Kevin Troup will be appointed to the Board and its committees with effect from 19 May 2023.

Kevin is a qualified Chartered Accountant. He has worked in the fund management industry since 1995 with senior investment roles at Scottish Life, Martin Currie and Standard Life Investments. He is now a non-executive director at Baring Fund Managers Limited, TPI Fund Managers Limited and at Baillie Gifford Shin Nippon PLC. He is also a charity Trustee at The Robertson Trust.

Following my retirement and Stuart Paterson's assumption of the Chairmanship, Kevin Troup will be appointed Chair of the Company's Audit and Risk Committee.

### Benchmark

The Company's stated investment policy allows the Manager to invest in small and medium-sized European companies (excluding the UK) which have a market capitalisation below that of the largest company in the EMIX Smaller European Companies (ex UK) Index.

IHS Market Benchmark Administration has announced its intention to cease calculation of its EMIX indices with effect from 31 July 2023. The current benchmark of the Company, the EMIX Smaller European Companies (ex UK) Index (Net Return) will therefore be discontinued.

The Board, together with its advisers have carefully considered alternative benchmarks to replace the EMIX Smaller European Companies (ex UK) Index and have concluded that the MSCI Europe Ex UK SMID Cap Index, on a net return basis, represents the most appropriate choice, noting, that this index has the greatest overlap of those indices considered with the current portfolio, as well as a similar number of constituents to the current benchmark.

The MSCI Europe Ex UK SMID Cap Index, which is composed of European small and mid-cap companies, does have a broader range of market capitalisation within its constituents which is relevant to the upper size limit contained in the investment policy of the Company. The adoption of the MSCI Europe Ex UK SMID Cap Index should therefore be treated as a material change to the Company's investment policy. However, the Manager has confirmed that the selection of the new benchmark does not imply that there will be any change to the existing selection process for investments.

The Board is therefore seeking Shareholder approval for the material change to the investment policy that this new benchmark represents at the Annual General Meeting to be held on 18 May 2023 prior to its adoption with effect from 1 June 2023.

### Annual General Meeting

The Annual General Meeting ("AGM") will be held at 3.00 pm on 18 May 2023 at the offices of Columbia Threadneedle Investments, Exchange House, Primrose Street, London EC2A 2NY. This will be followed by a presentation by the Investment Manager on the Company and its investment portfolio.

For Shareholders who are unable to attend the meeting, any questions they may have regarding the resolutions proposed at the AGM or the performance of the Company can be directed to a dedicated email account, [eatagm@columbiathreadneedle.com](mailto:eatagm@columbiathreadneedle.com), by Thursday 11 May 2023. The Board will endeavour to ensure that questions received by such date will be addressed at the meeting. The meeting will be recorded and will be available to view on the Company's website, [www.europeanassets.co.uk](http://www.europeanassets.co.uk) shortly thereafter. All Shareholders that cannot attend in person are encouraged to complete and submit their *Form of Proxy or Form of Direction* in advance of the meeting to ensure that their votes will count.

### Outlook

After a strong start to the year, markets have weakened substantially following the failure of Silicon Valley Bank, other smaller regional banks in the US, and the sell-off of Credit Suisse in Europe. Although investors have been encouraged by the recent bail out of Credit Suisse by UBS and the Swiss authorities, there is clear concern over the risk of contagion to the rest of the financial system and of a renewed financial crisis. While it is too early to draw conclusions we believe that regulators and central banks have reacted quickly and with substance. This combined with more stringent regulation, particularly in Europe, since the global financial crisis provides further support. We do hold banks in the portfolio but these are conservatively run, well capitalised and do not have any funding mismatches. Consequently, we believe they will navigate through this period operationally well. We will however continue to monitor the situation closely.

The market's initial assessment of the impact of the banking crisis is that credit conditions are likely to tighten impacting economic growth and this may lower interest rate expectations. This more sober outlook is frustrating given that European markets were leading global markets higher on the combination of attractive valuations and a more optimistic outlook. This view has not yet been completely derailed and Europe's valuation metrics continue to look more attractive both in relative and absolute terms. In a very volatile environment there is the risk that any pronouncement one day may look imprudent the next. So, while recognising that risk, we still look forward with a degree of tentative optimism.

### Jack Perry CBE

Chairman  
28 March 2023

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# Purpose, Strategy and Business Model

## Purpose and strategy

The purpose of the Company is to achieve long-term growth of capital.

A high distribution policy has been adopted with dividends paid out of current year net profits and the Distributable Reserve.

The strategy is to invest in quoted small and medium-sized companies in Europe, excluding the United Kingdom.

## Investment policy and principal guidelines

The investment policy seeks investments in quoted small and medium-sized companies in Europe, excluding the United Kingdom, defined as those with a market capitalisation below that of the largest company in the EMIX Smaller European Companies (ex UK) Index.

The Company will not invest more than 20 per cent of its total assets in any one company and does not take legal or management control of any company in which it invests.

The Company does not restrict its investments to any specific industrial or geographical sector; a diversified geographical spread is maintained.

The Company does not seek to create a portfolio to take advantage of anticipated currency fluctuations.

The Company has the ability to undertake stock lending activities but does not anticipate doing so and would need to enter into a new agreement with its custodian before commencing.

The Company has the powers under its Articles to borrow an amount up to 20 per cent of its securities portfolio.

It is the intention of the Company barring unforeseen circumstances, to pay an annual dividend equivalent to six per cent of the NAV of the Company at the end of the preceding year.

As noted on page 7, IHS Market Benchmark Administration has announced its intention to cease calculation of the current benchmark of the Company, the EMIX Smaller European Companies (ex UK) Index. It is therefore proposed that, with effect from 1 June 2023, the replacement benchmark for the Company will be MSCI Europe ex-UK SMID Cap Index.

As this will result in a material change to the investment policy of the Company, resolution 12 in the Notice of the forthcoming Annual General Meeting, seeks Shareholder approval for this change.

## Business model

The Directors have a duty to promote the success of the Company. As an investment company with no employees, the Board believes that the optimum basis for doing this and achieving the Company's objective, and strategy is a strong working relationship with the Company's appointed manager, Columbia Threadneedle Investment Business Limited (the "**Manager**"). Within policies set and overseen by the Board, the Manager has been given overall responsibility for the management of the Company's assets, asset allocation, gearing, stock selection and risk.

As an Investment Trust the Company is not constrained by asset sales to meet redemptions and is well suited to investors seeking longer term returns. The share capital structure provides the flexibility to take a long-term view and stay invested while taking advantage of illiquidity throughout normal and volatile market conditions. All the Company's investments are listed. Having the ability to borrow to invest is a significant advantage over a number of other investment fund structures.

The Board remains responsible for decisions over corporate strategy; corporate governance; risk and internal control assessment; setting policies as detailed on pages 20 and 21, setting limits on gearing and asset allocation; monitoring investment performance; and monitoring marketing performance.

## Implementing the strategy

The investment management contract is with the Manager part of Columbia Threadneedle Investments. The Manager has been appointed as Alternative Investment Fund Manager ("AIF Manager"). The ultimate parent company of Columbia Threadneedle Investments is Ameriprise Financial, Inc.

Sam Cosh is the lead portfolio manager appointed by the Manager to the Company. He is assisted by Lucy Morris. Biographies of Sam Cosh and Lucy Morris who are members of the Global Smaller team at Columbia Threadneedle Investments are provided on page 10. Details of the Manager's approach are provided on pages 14 and 15.

The fee that the Manager receives for its services is based on the value of assets under management of the Company, thus aligning its interests with those of the Shareholders. The ancillary functions of secretarial and marketing services are also provided by the Manager. The Manager is also responsible for the provision of administration to the Company for which a separate administration fee is charged. Details of the management and administration fees payable to the Manager are provided on page 35.

## Environmental, Social and Governance ("ESG") Impact

Our ESG policies are set out on pages 24 to 27. The direct impact of our activities is minimal as the Company has no employees, premises, physical assets or operations either as a producer or a provider of goods or services. Its indirect impact occurs through the investments that it makes and this is mitigated through Columbia Threadneedle Investments responsible investment approach as explained on pages 24 to 27.

## Manager evaluation

Investment performance and responsible ownership are fundamental to delivering sustainable long-term growth in capital for the Company's Shareholders and therefore an important responsibility of the Board is exercising a robust annual

evaluation of the Manager's performance. This is conducted by the Management Engagement Committee of the Board. This is an essential part of the strong governance that is carried out by the Board, all the members of which are independent and non-executive. The process for the evaluation for the year under review and the basis on which the decision to reappoint the Manager for another year are set out on page 45. As noted above, the management fee is based on the value of assets under management of the Company, thus fully aligning the Manager's interests with those of Shareholders.

### Gearing strategy

The Company has the ability to borrow up to an amount of 20 per cent of the value of its investment portfolio.

At 31 December 2022 the Company had drawn €10 million from its €45 million borrowing facility with The Bank of Nova Scotia, London Branch and held cash balances of €15.0 million, resulting in net cash of 1.3%.

Following the year end, the Company has agreed to renew its loan facility with The Bank of Nova Scotia, London Branch.

### Liquidity management

The Company has share issuance and buy back authorities which are designed to minimise the volatility of its share price relative to its Net Asset Value ("NAV").

### Communication and marketing with key stakeholders

The Company fosters good working relationships with its key stakeholders; the Manager, Shareholders, suppliers and contractors. As an investment trust the Company has no employees. With approximately 92% of the shares held by retail investors, and savings or execution-only platforms representing an increasingly significant and growing element of the Shareholder base, the Company remains focused with its Manager on promoting its success. All appropriate channels are used including the internet and social media as well as the CT Savings Plans.

The Company's activities and performance are reported through the publication of its financial statements but the majority of Shareholders and CT Savings Plan investors prefer not to receive such detailed information. To avoid losing this essential line of communication, the Company issues a short notification with the key highlights of its half-yearly and annual results. The Company also issues a monthly factsheet. All stakeholders can locate the full information on the Company's website, [www.europeanassets.co.uk](http://www.europeanassets.co.uk).

The Annual General Meeting ("AGM") of the Company provides a forum, both formal and informal for Shareholders to meet and discuss issues with the Directors and Investment Managers. Through the Manager, the Company also ensures that CT Savings Plan investors are encouraged to attend and vote at annual general meetings in addition to those who hold their shares on the main shareholder register. Details of the proxy voting results on each resolution are published on the Company's website where there is also a link to the daily publication of the Company's NAV and its monthly factsheet.

The Manager also has in place a programme of meetings designed to foster good relations with wealth managers in promoting the Company's investment proposition. These meetings are reported regularly to the Board. Any contact with the Company's institutional Shareholders is also reported. The Chairman and Senior Independent Director are available to meet with major Shareholders.

### Managing risks and opportunities

Like all businesses, investment opportunities do not come without risks and uncertainties and so the performance of the Manager is monitored at each board meeting. In addition to managing the Company's investments, the ancillary functions of administration, secretarial, accounting and marketing services are all carried out by the Manager.

The Board receives reports on the investment portfolios; the wider portfolio structure; risks; income and expense forecasts; internal control procedures; marketing; shareholder and other stakeholder issues, including the Company's share price premium or discount to NAV; and accounting and regulatory updates.

Shareholders can assess the financial performance of the Company from the Key Performance Indicators that are set out on page 19.

The Board has undertaken a robust assessment of the principal and emerging risks facing the Company. The Principal Risks that the Board considers the Company faces are detailed on page 28.

The risk of not achieving the Company's objective, or of consistently underperforming the Benchmark or peer group, may arise from any or all of inappropriate stock selection, asset allocation, poor market conditions, ineffective or expensive gearing, poor cost control, loss of assets and service provider governance issues. In addition to regularly monitoring the Manager's performance, their commitment and available resources and their systems and controls, the Directors also review the quality and value of services provided by other principal suppliers. These include the Custodian and Depository in their duties in respect of the safeguarding of the assets.

The principal policies that support the strategy are set out on page 20, whilst the Investment Manager's review of activity in the year can be found on page 11.

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# Investment Managers

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**Sam Cosh, Lead Manager** is a Director, at Columbia Threadneedle Investments. Sam joined Columbia Threadneedle Investments in 2010 from BNP Investment Partners and was appointed Lead Manager for European Assets Trust during 2011. Sam also manages the European investments of The Global Smaller Companies Trust PLC. He has over twenty years' experience in European equities, principally within small and mid-cap mandates.

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**Lucy Morris, Manager** is a Director at Columbia Threadneedle Investments specialising in smaller companies. Lucy joined the business in 2007, originally working in the Performance Analytics team before transferring to Equities in 2011. She has worked on the European Small Cap mandates since that point which include European Assets Trust as well as the European investments of The Global Smaller Companies Trust PLC. She also manages the CT European Smaller Companies open ended fund. Lucy holds the Investment Management Certificate and is a CFA Charterholder.

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# Investment Manager's Review

**Sam Cosh, Lead Manager**

## Market Backdrop

2022 was a challenging year for almost all asset classes and European smaller companies were no exception, registering significant falls. The initial sell-off, at the beginning of the year, was precipitated by inflation data that caused bond yields to rise and expectations of an earlier and more aggressive interest rate tightening cycle led by the US Federal Reserve. While this theme dominated for most of the year, the bearish sentiment was exacerbated by Russia's invasion of Ukraine in February. Energy and food prices spiked, adding further to inflation concerns, while investors digested what a war on Europe's doorstep would mean for the region's economic activity, with potential gas shortages the principal area of concern. Meanwhile, China's zero COVID-19 policy and regional lockdowns added to global supply chain restrictions that were already under severe pressure, further fuelling rising input costs. In response, central banks became increasingly hawkish, prioritising the fight against inflation over supporting economic activity. Geopolitical risks, rapidly rising interest rates and increasing recessionary expectations therefore dominated markets for most of the year until the fourth quarter brought some much-needed respite. Encouragingly, Europe finished the year particularly strongly, leading global markets higher. While rates kept rising, US and European inflation data came in below expectations, allowing investors to ponder lower peak rates. Economic indicators, whilst still pointing to activity softening, were also better than expected. In Europe this was helped by the dramatic decline in natural gas prices due to the combination of a mild start to winter and full gas storage facilities. Despite a strong year end, however, 2022 was a poor year for investors.

"In terms of stock picking the clear lesson from recent events is to avoid companies whose business models have been supported by low rates and are challenged by the dramatic change in interest rate regime that we have seen over the last year. There will be further casualties, but we believe our quality biased approach avoids such exposure."

## Performance

Our portfolio performed poorly last year, significantly underperforming the index. The main reason was the dramatic rotation out of quality, growth stocks into value areas of the market. This was caused by interest rate rises which have a detrimental impact on the valuation of companies whose value is derived from cash flows that grow over a long time frame. This rotation was exacerbated by the strong moves in commodities, the only major asset class that registered gains last year, driven by a rush towards energy security following the war in Ukraine. Our philosophy and portfolio style are biased towards growth companies, so it is perhaps no surprise that we performed poorly, however, we are clearly disappointed by the scale of our relative underperformance. Within the portfolio, we had built some balance with exposure to rising interest rates, principally through our holdings in financials, but this balance was overwhelmed by the scale of sector rotation.

The performance was also heavily impacted by some stocks that were exposed to a consumer whose disposable incomes were under pressure from rising costs. These stocks were also having to contend with a period of softening demand as they digested the hangover from some unusually strong COVID-19 years. For example, MIPs, who supply technology for principally cycle helmets, and Thule, who sell stylish products for active families and outdoor enthusiasts, both announced disappointing trading updates. Whilst neither of these companies are suffering from excess inventories of their products in the retail channel, nor a demand problem, retailers are struggling with excess inventories of other, low value items in their stores that need to be cleared

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before they can restock with higher end products from MIPs and Thule. Once this inventory is cleared, which may take some time, we would expect both companies see demand patterns in line with their long-term positive trajectory. Other consumer related stocks that suffered from difficult comparisons with very strong trading in recent years were Fluidra, the swimming pool equipment suppliers, and HelloFresh, the leading meal kit provider. We continue to hold these positions in anticipation of better demand trends later in the year and because we believe in the long-term structural growth opportunities for these businesses.

The technology sector was also an area that struggled from similar themes. Despite delivering good operational performance through the year, our semiconductor stocks ASML, the equipment provider, and Nordic Semiconductor, the leading Bluetooth company, saw their valuations heavily de-rated through the year as investors sold out of growth companies. Industrials also struggled, and while we were underweight the sector, stock specifics overwhelmed sector allocation. Forbo, the Swiss listed flooring company, and Norma Group, the German listed autosupplier, both delivered poor operational updates that caused us to sell these holdings. Wizz Air, was another poor performer as it faced the twin headwinds of higher fuel costs and a weaker consumer. We cut the position significantly at the outset of the Ukrainian war, mitigating the damage, before adding later in the year. This proved to be a good decision with the shares recovering strongly into this year.

Turning to more positive outcomes, our best contributor to our performance in terms of sector came from healthcare. This was slightly peculiar because the sector, unusually in a down market, was the worst performer, underperforming even consumer discretionary at the index level. Our positive stock selection meant that this was the best contributor though, with Tecan, the Swiss listed diagnostics company, leading the way supported by an upgrade to guidance at their first half results.

The materials sector also yielded some good performance with both our sector allocation and stock selection being good. Of note were our holdings in Verallia, the French glass manufacturer, and SIG, the Swiss listed aseptic packaging supplier, both of which consistently delivered strong operational results. One of our new positions, Hexpol, the supplier of polymer compounds, also performed well due partly to its large exposure to the strong dollar but mainly due to encouraging results.

Finally, in terms of sectors, our traditional financials contributed well. Interest rates, a long-term headwind for the sector have finally turned supportive. Ringkjøbing Landbobank, listed in Denmark, Sparebank, listed in Norway, and Storebrand, the Norwegian life insurance company, all had strong years. Bank of Ireland, a new holding, was, however, the highlight being the best performer as investors began to appreciate the strong economic backdrop that Ireland offers, the cheap valuation, higher interest rates, a consolidated market and improving results.

Other stocks worthy of mention include Lotus Bakeries, the owner of the Biscoff brand, whose consistent profit delivery was

appreciated by the markets. Finally, another new addition, Schoeller Bleckmann, performed strongly. Austrian listed, this company is the leading supplier of non-magnetic steel components to the oil and gas industry and, rose after its results outperformed on the back of the scramble towards energy security caused by Russia's invasion of Ukraine.

### **Portfolio Activity**

Portfolio turnover was broadly in line with long-term averages. Trading was driven by a combination of executing our philosophy and process whilst recognising emerging priorities. On the latter, we are aware that energy security is a key geopolitical focus now. Following a decade of underinvestment on the supply side we may be at the start of a new capital cycle in the sector. We have invested in quality companies that are exposed to this; Schoeller Bleckman mentioned above and TGS, the seismic analytics company. We also believe that tight labour markets and re-shoring of industrial production will lead to a greater investment in automation and so have started positions in Kardex, whose equipment optimises and automates logistical workflows, and Engcon, the Swedish listed market leader of tilt rotators that improve the productivity of excavators. The other characteristic of this market cycle is likely to be higher interest rates as core inflation remains high in contrast to the previous decade. We have expressed this view through our holdings in regional banks and life insurance, which was augmented by the decision to add Bank of Ireland early in the year.

We have also been cognisant that market falls usually provide opportunity. While we have not been as active in this regard compared to what we executed during the outset of the COVID-19 pandemic, following our process has meant that we have added some new positions in addition to those mentioned earlier in this commentary. Examples include Viscofan, the market leader in the global synthetic sausage skin oligopoly, Siegfried, which holds a strong position as an outsourced manufacturer of small molecules for pharmaceutical companies, and Vidrala, the Spanish bottling company.

*Our sell decisions were driven by a more critical appraisal of operational performance during a period when quality credentials were tested. For example, following disappointing trading updates, we sold, in addition to those mentioned above, holdings in Cancom, the German IT reseller, Marr, the Italian food services business, Simcorp, the asset management software business, and FlatexDego, the German listed, low-cost retail brokerage firm.*

## Portfolio Split by Sector at 31 December 2022

### Outlook

The year had started strongly, with Europe pleasingly leading the way. This has, however, been derailed by the failure of Silicon Valley Bank (SVB) in the US and Credit Suisse in Europe. This has caused a significant sell-off across the market driven by the financial sector. The failure of any financial institution brings back memories of the Global Financial Crisis, however, we think, there are reasons to be less concerned this time. Financial regulation in terms of capital requirements and funding, particularly in Europe, are much more robust, whilst central banks and financial regulators have reacted quickly. There will, however, be some significant ramifications from this of which some will not be understood yet. Initially, it is fair to assume that credit conditions will be tighter, adding further to the challenging calculations that central bankers are having to make with regard to interest rate rises.

In terms of stock picking the clear lesson from recent events is to avoid companies whose business models have been supported by low rates and are challenged by the dramatic change in interest rate regime that we have seen over the last year. There will be further casualties, but we believe our quality biased approach avoids such exposure. We are, however, looking closely at the opportunities that may present themselves as good businesses potentially get dragged down by recent events. Prior to the sell-off, Europe looked attractively valued both in absolute levels and relative to global markets. This provides an attractive backdrop to stock picking and future long-term returns.

### Sam Cosh

Lead Investment Manager

Columbia Threadneedle Investment Business Limited

28 March 2023

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# Investment Manager's Investment Philosophy and Process

There are approximately 4,000 quoted European (ex-UK) small and mid-cap companies. This is a large, diversified universe of exciting opportunities and is not necessarily well researched or understood properly. This leads to 'market inefficiency' that we, as disciplined stock pickers, can take advantage of to aim to deliver superior investment performance over the long term.

Our philosophy is based on our belief that companies that can compound high returns over an enduring period tend to be undervalued by the market. We want to invest in these high-quality companies, or those that have the business models that will achieve quality characteristics in the future. Integral to this approach is understanding the competitive advantages, or moats, of these companies. After all this is what will allow a business to defend or improve its market position delivering growing profits for shareholders.

While we do not necessarily target specific sectors, our philosophy will naturally lead us towards certain areas or themes where long-term growth of superior cash flow is more likely. This will result in a portfolio that is significantly differentiated against the benchmark.

Integral to our assessment of quality is an analysis of Environmental, Social and Governance ("ESG") issues that face the company and its response to them. More details can be found on pages 24 to 27.

Management teams of smaller companies have a huge role to play in the evolution of their businesses. How they are motivated, rewarded, and allocate capital is crucial in a company's development, for better

or for worse. We want to invest alongside management teams who make good long-term decisions and are rewarded for doing so. This often leads us to have a natural affinity towards family businesses, owner-operators, who are successful entrepreneurs, who tend to be good guardians of capital and reinvest their profits intelligently.

While we believe the evolution of a company's profits and cash generation will be the principal determinant of shareholder returns, we also believe the price that you pay for an asset is also crucial in delivering long-term performance. Maintaining valuation discipline is crucial to long-term returns and often requires patience. Companies that reach our quality hurdle but do not appear reasonably valued are placed on our watch list. This allows us to execute quickly when the opportunity presents itself.

Ultimately this approach should lead to a portfolio of quality smaller companies with the following characteristics:

- Proven business models that are defended by scale, intellectual property, brand or market positions
- Management teams that have the right balance of entrepreneurial flair and rational capital allocation, who are incentivised appropriately
- Higher growth rates, margins and returns on capital than the market
- Superior cash flow generation and strong balance sheets that provide stability and opportunity for value added deployment

## Continuous Monitoring Process

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## The Investment Process Focuses on Three Aspects for Each Company

Having a disciplined process is essential in driving a consistent application of our philosophy. We undertake our own research which is peer reviewed by the wider investment team prior to a purchase decision. This ensures the benefit of shared knowledge and experience is brought to bear on each investment. The original investment thesis is retested particularly if the company or its share price performs below expectations.

Like all investors, we are having to make assessments about the future and take decisions in the face of uncertainty. There is a real possibility of being wrong. We believe we can mitigate this risk by following this long-term philosophy, emphasising a number of factors: thorough independent research; the need for a margin of safety on purchase; continuous monitoring; and diversification of the investment portfolio. Reasons to sell can be driven by positive or negative factors: positive if the value of the company has risen to an

excessive valuation, or negative, if the assessment of the company's long-term value drivers deteriorates significantly. We believe this approach gives us the best chance of delivering attractive long term returns for our Shareholders.

### Sam Cosh

Lead Investment Manager  
Columbia Threadneedle Investment Business Limited  
28 March 2023

# Ten Largest Holdings as at 31 December 2022

## 1. Tecan (8)

Switzerland

Tecan is a leading global provider of automated laboratory instruments and solutions. Their systems and components improve productivity in a market that is growing strongly driven by increasingly personalised diagnostic needs.

4.5% of net assets

£15,486,156 value

www.tecan.com

## 2. Ringkjøbing Landbobank (1)

Denmark

High quality regional Danish bank with a long track record of loyal customers, low loan losses and good returns on equity. They have a dominant position in their local region, and have been growing outside of this as they continue to take share from lower quality competitors.

4.4% of net assets

£15,242,980 value

www.landbobanken.dk

## 3. Interpump (3)

Italy

Manufacturer of ultra high pressure pumps used for fluid movement and hydraulic components installed on vocational trucks and other machinery. Proven resilient operator as a result of diverse end markets and high quality product, highly cash generative and excellent capital allocation record.

3.7% of net assets

£12,694,769 value

www.interpumpgroup.it

## 4. SIG Group (18)

Switzerland

Market leading system and solutions provider for aseptic packaging used for liquid dairy, non-carbonated soft drinks and liquid food packaging applications. They have a high proportion of recurring revenues as a result of selling the consumables linked to the use of their machines.

3.4% of net assets

£11,765,340 value

www.sig.biz

## 5. Storebrand (6)

Norway

Leading Norwegian life insurer and asset manager. Returns are improving as the capital intensive guaranteed life book diminishes and their more profitable fee based business improves. This should lead to a higher rating and significant return of capital.

3.3% of net assets

£11,420,801 value

www.storebrand.no

## 6. Karnov (19)

Sweden

Karnov is the clear market leader in provision of legal information in Denmark and Sweden. Through their online portal, they provide historic annotated case information, predominantly to lawyers. This information is low cost but integral to their customers daily operations. Margins should rise as they increase prices in Sweden, following the consolidation of the market, to levels that they achieve in Denmark.

3.1% of net assets

£10,724,426 value

www.karnovgroup.com

## 7. Atea (14)

Norway

Largest IT infrastructure provider in the Nordic and Baltic region reselling hardware, software and value added services with a large exposure to the public sector who are investing in their 'digital transformation'.

3.0% of net assets

£10,506,182 value

www.atea.com

## 8. SpareBank (16)

Norway

Regional bank with a strong franchise in Southern Norway, with particularly strong market shares in Rogaland, a wealthy area supported by oil and gas exploration and production.

3.0% of net assets

£10,287,454 value

www.sparebank1.no

## 9. Lotus Bakeries (32)

Belgium

Belgium family run business active worldwide in the indulgent and natural snacking segment with brands such as Lotus Biscoff, Nakd, Trek and Bear. Biscoff is a unique product range based on speculoos (spiced shortcrust biscuit) taste that is gaining global traction offering excellent growth potential.

2.9% of net assets

£10,223,287 value

www.lotusbakeries.com

## 10. IMCD (11)

Netherlands

Listed in the Netherlands, IMCD is a market leading specialist in chemical distribution. They formulate, sell and distribute products and ingredients for large chemical companies. They are improving their market share through both organic means and acquisitions.

2.8% of net assets

£9,762,769 value

www.imcdgroup.com

Note: Number in brackets is the position held in the portfolio as at 31 December 2021

# Investment Portfolio as at 31 December 2022

Company	Nature of Business	Valuation £'000	% of Net Assets	Country of Incorporation
Tecan	Automated Laboratory Instruments and Solutions	15,486	4.5%	Switzerland
Ringkjøbing Landbobank	Regional Banking	15,243	4.4%	Denmark
Interpump	Industrial Producer of Fluid Movement Pumps and Hydraulic Components	12,695	3.7%	Italy
SIG Group	Systems and Consumables Provider for Aseptic Packaging	11,765	3.4%	Switzerland
Storebrand	Long-term Savings and Insurance	11,421	3.3%	Norway
Karnov	Mission Critical Information Provider to the Legal Industry	10,724	3.1%	Sweden
Atea	Value Added IT Hardware and Software Reseller	10,506	3.0%	Norway
SpareBank	Banking	10,287	3.0%	Norway
Lotus Bakeries	Indulgent and Natural Snack Manufacturer	10,223	2.9%	Belgium
IMCD	Speciality Chemical Distributer	9,763	2.8%	Netherlands
<b>Ten largest investments</b>		<b>118,113</b>	<b>34.1%</b>	
Sligro Food Group	Food and Beverage Provider	9,750	2.8%	Netherlands
Bank of Ireland	National Bank Operating in a Consolidated Market	8,732	2.5%	Ireland
Alten	Outsourced Engineering and R&D Provider	8,625	2.5%	France
CTS Eventim	Concerts and Ticketing	8,543	2.5%	Germany
Lectra	Provider to the Fashion, Automotive and Furniture Industries	8,311	2.4%	France
ASM International	Semiconductor Equipment	8,224	2.4%	Netherlands
Symrise	Speciality Chemicals	8,076	2.3%	Germany
Coor	Provider of Integrated Facilities Management and Consulting Services	7,975	2.3%	Sweden
Nordic Semiconductor	Market Leader in Low Power Bluetooth Semiconductor Design	7,871	2.3%	Norway
Stratec	Manufacturer of Invitro Diagnostic Instrumentation and Consumables	7,484	2.2%	Germany
<b>Twenty largest investments</b>		<b>201,704</b>	<b>58.3%</b>	
Verallia	Glass Bottle Manufacturer	7,418	2.1%	France
Caim Homes	House Builder	7,076	2.0%	Ireland
Hexpol	Chemical Compounder	6,862	2.0%	Sweden
Royal Unibrew	Nordic and Baltic Beverage Producer	6,852	2.0%	Denmark
Gerresheimer	Glass and Plastic Containers	6,707	1.9%	Germany
Schoeller Bleckmann Oilfield Equipment	Oilfield Equipment Manufacturer	6,621	1.9%	Austria
Azimut	Asset Management	6,612	1.9%	Italy
Fluidra	Swimming Pool Equipment and Maintenance	6,379	1.8%	Spain
Viscofan	Artificial Casings for Meat Products	6,273	1.8%	Spain
MIPS	Helmet Safety	5,767	1.7%	Sweden
<b>Thirty largest investments</b>		<b>268,271</b>	<b>77.4%</b>	
Vidrala	Manufacturer and Supplier of Glass Containers	5,544	1.6%	Spain
Sdiptech	Industrial Consolidator Focused on Sustainability	5,501	1.6%	Sweden
Siegfried	Contract Development Manufacturing Organisation	5,437	1.5%	Switzerland
Rational	Specialist in Hot Food Preparation for Professionals	4,934	1.4%	Germany
Dalata Hotel Group	Hotel Chain Operator	4,855	1.4%	Ireland
Indutrade	Niche Industrial Conglomerate	4,624	1.3%	Sweden
Avanza Bank	Swedish Savings and Investment Platform	4,554	1.3%	Sweden
Glanbia	Global Nutrition Company	4,484	1.3%	Ireland
Thule	Outdoor and Transportation Product Manufacturer	4,297	1.2%	Sweden
Merlin Properties	Commercial Real Estate Owner	4,284	1.2%	Spain
<b>Forty largest investments</b>		<b>316,785</b>	<b>91.2%</b>	

## Investment Portfolio as at 31 December 2022 (continued)

Company	Nature of Business	Valuation £'000	% of Net Assets	Country of Incorporation
Kardex	Intralogistics Solutions and Automated Storage Provider	3,997	1.2%	Switzerland
TGS	Geophysical Consulting and Contracting Services	3,593	1.0%	Norway
Carasent	Cloud Healthcare Software Provider	3,588	1.0%	Norway
Engcon	Tiltrotator Manufacturer	2,952	0.9%	Sweden
V Zug	Luxury Household Appliance Manufacturer and Service Provider	2,906	0.8%	Switzerland
HelloFresh	Home Meal Kit Provider	2,821	0.8%	Germany
Wizz Air	Budget Airline	2,194	0.6%	Switzerland
flatexDEGIRO	Online Broker	1,881	0.5%	Germany
<b>Total Investments</b>		<b>340,717</b>	<b>98.0%</b>	
<b>Net current assets</b>		<b>6,910</b>	<b>2.0%</b>	
<b>Net assets</b>		<b>347,627</b>	<b>100.0%</b>	

# Key Performance Indicators

The Board recognises that it is longer term share price performance that is most important to the Company's investors. Underlying share price performance is driven by the performance of the Net Asset Value. The overriding priority is to continue to strive for the consistent achievement of relative outperformance; adding value for Shareholders through Net Asset Value and Share Price Total Return; the management of the Company's share price premium/discount; dividend yield; low and competitive ongoing charges; and effective marketing. The Board assesses its performance in meeting the Company's objective against the following key performance indicators ("KPIs"):

1. Net Asset Value per share total return
2. Share Price total return
3. Premium / (discount) to Net Asset Value
4. Ongoing charges
5. Shares issued / (bought back)

Information in relation to these KPIs is set out in the tables below. Commentary can be found in the Chairman's Statement and the Investment Manager's Review.

Net Asset Value per share sterling total return performance at 31 December 2022*	1 Year %	3 Years %	5 Years %	10 Years %
European Assets Trust*	(28.2)	1.8	3.1	142.8
EMIX Smaller European (ex UK) Companies Index*	(17.7)	12.4	18.4	184.5

Source: Columbia Threadneedle Investments, Refinitiv Eikon

Share price sterling total return performance at 31 December 2022*	1 Year %	3 Years %	5 Years %	10 Years %
European Assets Trust*	(28.4)	3.5	(0.9)	153.1
EMIX Smaller European (ex UK) Companies Index*	(17.7)	12.4	18.4	184.5

Source: Columbia Threadneedle Investments, Refinitiv Eikon

Average (discount)/premium**	%
For the year ended 31 December	
2022	(5.2)
2021	(6.7)
2020	(10.0)
2019	(5.2)
2018	(9.5)

Source: Columbia Threadneedle Investments

Ongoing charges as at 31 December**	%
2022	1.03
2021	0.89
2020	0.95
2019	1.11
2018	1.11

Source: Columbia Threadneedle Investments

Shares issued during the year ended 31 December†	
2022	-
2021	-
2020**	134,573
2019†	179,383
2018†	12,312,883

Source: Columbia Threadneedle Investments

\* EAT NV prior to the migration on 16 March 2019.

\* With effect from 1 April 2021 the benchmark changed from EMIX Smaller European Companies (ex UK) Index (gross) to EMIX Smaller European Companies (ex UK) Index (net).

\* See Alternative Performance Measures on pages 82 and 83 for explanation.

\*\* Excludes issuance related to the migration on 16 March 2019.

† Rebased for stock split of 3 May 2018.

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# Principal Policies

## Investment

The Company is required to have a publicly available investment policy from which Shareholders, prospective investors and stakeholders can understand the scope of its investment remit and constraints. Any material changes to this policy can only be made with the approval of Shareholders and the Financial Conduct Authority (“FCA”).

Details of the investment policy are provided on page 8.

In the event of a breach of the Company's investment policy, the Manager shall promptly inform the Board and if the Board considers the breach to be material, notification will be made by a regulatory information service to the London Stock Exchange.

## Dividends

The level of dividend paid by the Company each year is determined by the Board in accordance with the Company's distribution policy. It is the intention of the Company, barring unforeseen circumstances, to pay an annual dividend equivalent to six per cent of the NAV of the Company at the end of the preceding year. The Company expects to pay the dividend in four equal instalments in January, April, July and October each year.

The Company will pay dividends on the shares only to the extent that it has distributable reserves available for that purpose. Dividends are funded from current year revenue profits and the Distributable Reserve.

The Board is mindful that many Shareholders reinvest their dividends through schemes operated by savings plans and platforms.

## Borrowings

The Company's borrowings shall not (without the sanction of a general meeting of the Company) exceed an amount equal to the aggregate of 20% of the book value of its securities portfolio and its subsidiaries, if any.

## Currency hedging

Due to its investment focus on investing in companies in Europe, the Company's investments can be denominated and quoted in currencies other than euro. The Company does not seek to create a portfolio to take advantage of anticipated currency fluctuations and has no current intention of seeking to hedge any currency exposure which may arise from investing in non-euro denominated investments.

The Board declares dividends in sterling. This provides certainty of income for the overwhelming majority of the Company's Shareholders who choose to receive their dividends in sterling rather than euros. To attempt to manage any sterling/euro exchange rate exposure which may arise from the currency of the dividend, the Company has entered into forward currency hedging contracts to cover this specific exposure.

## Taxation

The Board's policy towards taxation is one of full commitment to complying with applicable legislation and statutory guidelines. It is essential that the Company always retains its investment trust tax status by complying with Section 1158 of the Corporation Tax Act 2010 (“Section 1158”) such that it does not suffer UK Corporation Tax on capital gains. The Company has received approval from HMRC as an investment trust under Section 1158 and has since continued to comply with the eligibility conditions. The Manager also ensures that the Company submits correct taxation returns annually to HMRC; settles promptly any taxation due; and claims back, where possible, all taxes suffered in excess of taxation treaty rates on non-UK dividend receipts.

## Liquidity

The Board recognises the need to address any sustained and significant imbalance of buyers and sellers which might otherwise lead to shares trading at a material discount or premium to NAV per share. While it has not adopted any formal discount or premium targets which would dictate the point at which the Company would seek to purchase shares or issue further shares, the Board is committed to utilising its share purchase and share issuance authorities where appropriate in such a way as to mitigate the effects of any such imbalance. In considering whether buyback or issuance might be appropriate in any particular set of circumstances, the Board will take into account: the prevailing market conditions; the degree of NAV accretion that will result from the buyback or issuance; the cash resources readily available to the Company; the immediate pipeline of investment opportunities open to the Company; and the working capital requirements of the Company.

### Board diversity

The Board's policy towards the appointment of non-executive Directors is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including gender.

The policy is always to appoint the best person for the job and, by way of this policy statement it is confirmed that there will be no discrimination on the grounds of gender, ethnicity, socio-economic background, religion, sexual orientation, age or physical ability.

The overriding aim of the policy is to ensure that the Board is composed of the best combination of people to deliver the Company's objective. The policy is applied for the purpose of appointing individuals that, together as a Board, will continue to achieve that aim as well as ensuring optimal promotion of the Company's investment proposition in the marketplace.

The Board is conscious of the diversity targets set out in the FCA Listing Rules. Although the Company is not required to report against these targets under the Listing Rules until 31 December 2023, the Board is disclosing this information on a voluntary basis.

In accordance with Listing Rule 9.8.6R (9), (10) and (11) the Board has provided the following information in relation to its diversity.

### Board Gender as at 31 December 2022<sup>(1)</sup>

	Number of Board Members	Percentage of the Board	Number of senior positions on the Board <sup>(2)</sup>
Men	3	60%	1
Women	2	40% <sup>(3)</sup>	1

(1) The Company has opted not to disclose against the number of Directors in executive management as this is not applicable for an investment trust.

(2) Composed of the Chair and the Senior Independent Director in accordance with Listing Rule 9(a) (ii).

(3) The Listing Rule 9(a) (i) target is 40%.

### Board Ethnic Background as at 31 December 2022<sup>(1)</sup>

	Number of Board Members	Percentage of the Board	Number of senior positions on the Board <sup>(2)</sup>
White British or other white (including minority-white groups)	4	80%	2
Asian/Asian British	1 <sup>(3)</sup>	20%	-

(1) The Company has opted not to disclose against the number of Directors in executive management as this is not applicable for an investment trust.

(2) Composed of the Chair and the Senior Independent Director.

(3) The Listing Rule 9(a) (iii) target is 1.

### Integrity and business ethics

The Company applies a strict anti-bribery and anti-corruption policy insofar as it applies to any directors or employee of the Manager or of any other organisation with which it conducts business. The Board also ensures that adequate procedures are in place and followed in respect of third-party appointments, acceptance of gifts and hospitality and similar matters.

### Prevention of the facilitation of tax evasion

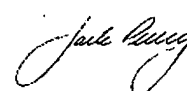
The Company is committed to compliance with the UK's Criminal Finances Act 2017, designed to prevent tax evasion in the jurisdictions in which it operates. The policy is based on a risk assessment undertaken by the Board and professional advice is sought as and when deemed necessary.

### Modern Slavery Act 2015

The Company is an investment company with no employees or customers and does not provide goods or services in the normal course of business. The Company has appointed the Manager to manage the investments, engage on ESG issues and to carry out administrative and secretarial services.

The Company's own supply chain consists predominately of professional advisers and service providers in the financial services industry, which is highly regulated. The Board therefore believes that the potential for acts of modern slavery or human trafficking in the Company's own environment is extremely low.

On behalf of the Board



**Jack Perry**

Chairman

28 March 2023

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# Promoting the Success of the Company

## –Section 172 Statement

Under Section 172 of the Companies Act 2006, the Directors have a duty to act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so, have regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the Company's Shareholders;
- 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 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 Stakeholders of the Company

As explained on page 8, the Company is an externally managed investment company and has no employees, customers or premises. The key stakeholders are the Shareholders, the Manager, suppliers and service providers.

The Board believes that the optimum basis for meeting its duty to promote the success of the Company is by appointing and managing third parties with the requisite performance records, resources, infrastructure, experience and control environments to deliver the services required to achieve the investment objective and successfully operate the Company. By developing strong and constructive working relationships with these parties, the Board seeks to ensure high standards of business conduct are adhered to at all times and service levels are enhanced whenever possible. This combined with the careful management of costs is for the benefit of all Shareholders who are also key stakeholders.

### Engagement with Shareholders

The Directors value engagement with Shareholders. The Company's website [www.europeanassets.co.uk](http://www.europeanassets.co.uk) is available to all Shareholders and key decisions are announced to the London Stock Exchange through a Regulatory News Service.

The Company holds an Annual General Meeting. The Shareholders are invited to attend, and this provides an open forum for them to discuss issues and matters of concern with the Board and representatives of the Manager and the Company's advisors.

The Manager also engages with the Company's larger Shareholders and the outcome of these discussions are reported to the Board at the following Board Meeting. Shareholders are invited to communicate with the Board through the Chairman or Company Secretary. Alternatively, issues can be discussed with the Company's Senior Independent Director, who can be contacted at the Company's registered office address detailed on page 31.

### Manager and Service Providers

The Company's primary working relationship is with the Manager. The portfolio activities undertaken by the Manager and the impact of decisions taken are set out in the Investment Manager's Review on pages 11 to 13. On pages 24 to 27 information is provided on the Company's approach towards responsible investment. The Directors are supportive of the Manager's approach, which includes engagement with the investee companies on ESG issues and how this links with the United Nations Sustainable Development Goals ("SDGs"). Further information on the annual evaluation of the Manager, to ensure its continued appointment remains in the best interests of Shareholders, is set out on page 45.

Service providers such as, JP Morgan Chase Bank ("**the Bank and the Custodian**"), JP Morgan Europe Limited ("**the Depositary**"), Panmure Gordon ("**the Broker**"), The Bank of Nova Scotia, London Branch ("**the Lender**") and Computershare Investor Services PLC ("**the Registrar**") are also considered key stakeholders. The Board receives regular reports from them and evaluates them to ensure expectations on service delivery are met.

### 2022 – Key Board Decisions

The Company's Stakeholders are always considered when the Board makes decisions and key examples this year include:

#### Dividends

The Board is aware that dividend income is important to Shareholders. A high distribution policy has been adopted with a stated aim to pay Shareholders a dividend of 6% based on the NAV on 31 December of the prior year.

Despite the impact of the COVID-19 pandemic, inflationary concerns and the war in Ukraine, the Directors have been able to maintain the Company's high distribution policy as the dividend can be funded from current year revenue profits and the Distributable Reserve. The Distributable Reserve, which had a value of £296.9 million as at 31 December 2022 was created during the migration of the Company from the Netherlands to the United Kingdom.

### Share issuance and buy-backs

Ensuring that liquidity is maintained for the Company's shares is important to Shareholders. The Directors sought and received the authority from Shareholders at the 2022 AGM the power to issue and buyback shares. At each Board Meeting the Directors will consider the current level and direction of the discount that the Company's share price trades to its NAV. Representatives of the Company's broker, Panmure Gordon, will attend most Board meetings and provide an update on the demand for the Company's shares. During the year ended 31 December 2022 the Company did not buyback or issue shares. The discount as at 31 December 2022 was 5.1% (2021: 4.4%).

### Marketing

Increasing demand for the Company's shares will improve their liquidity and attractiveness. In the shorter term it will reduce the level of the Company's share price discount. In the longer term it could lead to share issuance resulting in a larger Company against which fixed operating costs can be shared.

During the year several marketing initiatives have been introduced to increase demand for the Company's shares. The Company's 50-year anniversary celebrations included Board attendance at the closing bell ceremony at the London Stock Exchange and an event attended by representatives from private wealth managers and the press. New communication platforms with retail investors have been introduced and the Company has recommitted to its pay-per-click internet advertising campaign.

### Board succession planning

As part of an orderly succession plan, it is anticipated that Julia Bond, the Company's Senior Independent Director, will retire from the Board on 31 January 2024 having served nine years. In advance of Julia's retirement, the Board will recruit a new Director.

Jack Perry was appointed in April 2014 and became Chairman with effect from April 2015. In accordance with corporate governance best practice, and to allow a handover period, he has announced his intention to retire from the Board at the conclusion of the Company's 2024 Annual General Meeting.

Upon his retirement, Stuart Paterson, who was appointed to the Board in July 2019 will become Chairman.

As a further part of this plan a search company was commissioned to identify a new Director for the Board. Following a thorough selection process, Kevin Troup will be appointed to the Board and its committees with effect from 19 May 2023.

Following the retirement of Jack Perry and Stuart Paterson's assumption of the Chairmanship, Kevin Troup will be appointed. Chair of the Company's Audit and Risk Committee.

While the Company became operational in March 2019, the Board considers a Director's appointment to the Company's Dutch predecessor, European Assets Trust NV, as the beginning of their period of continuous service.

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# Sustainability and ESG

As stewards of more than £347 million of assets, we support positive change. The Company benefits from the Manager's leadership in this field.

## Our approach

Environmental, Social and Governance (“**ESG**”) issues are the three central factors in measuring sustainability and can present both opportunities and threats to the long-term investment performance the Company aims to deliver to Shareholders. Although the Company is not an ESG fund, the Board is committed to taking a responsible approach to ESG matters. There are two strands to this approach:

- The Company's own responsibilities on matters such as governance;  
and
- The impact it has through the investments that are made on its behalf by its Manager.

The Company's compliance with the revised AIC Code of Corporate Governance is detailed in the Corporate Governance Statement on pages 37 to 39. In addition, the Principal Policies statement on pages 20 and 21 notes the Company's policies towards board diversity, integrity and business ethics, prevention of the facilitation of tax evasion and the Modern Slavery Act 2015.

The Board recognises that the most material way in which the Company can have an impact is through responsible ownership of its investments. The Manager engages actively with the management of investee companies to encourage that high standards of ESG practice are adopted. The Manager has long been at the forefront of the investment industry in its consideration of these issues and has one of the longest established and largest teams focused solely on ESG.

## Responsible ownership

Engaging actively with companies on significant ESG matters, to reduce risk, improve performance, encourage best practice and underpin long-term investor value forms a fundamental part of the Manager's approach towards responsible investment. Engagement in the first instance rather than simply divesting or excluding investment opportunities is also part of this approach.

The Manager's Corporate Governance Guidelines set out its expectations of the management of investee companies in terms of good corporate governance. This includes the affirmation of responsibility for reviewing internal business ethics policies and ensuring that there is an effective mechanism for the internal

reporting of wrongdoing, whether within the investee company itself, or involving other parties, such as suppliers, customers, contractors or business partners.

The Manager is also a signatory to the United Nations Principles for Responsible Investment (“**UNPRI**”) under which signatories contribute to the development of a more sustainable global financial system.

As a signatory the Manager aims to incorporate ESG factors into its investment processes.

## ESG and the investment process

ESG issues are an integral part of the Manager's investment process, forming part of the assessment of the Quality and Management criteria for possible and ongoing investments. The Manager's ESG teams work closely with the portfolio managers to create an internally generated assessment of the relevant ESG issues for each company. As part of the review process, the Manager will also note if the investment is aligned explicitly with any of the UN Sustainable Development Goals. Details of these goals can be found at [www.un.org/sustainabledevelopment/sustainable-development-goals/](http://www.un.org/sustainabledevelopment/sustainable-development-goals/).

The Manager's own ESG assessment is cross-referenced against external sources, for example MSCI ESG Research to check it is comprehensive. There are two main outcomes of this research. First, the research is used to initiate discussions with the investee company, to clarify the Manager's understanding of the issues involved, to create a dialogue and to encourage higher standards where appropriate. In this the Manager may join with other major investors in order to be a yet more powerful force to drive change. Secondly, it is used to adjust the Manager's assessment of the weighted average cost of capital for the investee company; this is an important component of the valuation model, such that companies with higher ESG standards will warrant a lower cost of capital and in turn a higher valuation, and vice-versa. In these ways, ESG affects each of the cornerstones of the investment process, Quality, Management and Valuation, as well as driving an ongoing dialogue between the Manager and the investee company.

## Engagement

### Engagement examples in the reporting period

<b>Wizz Air</b>	<p>The Manager held a call with senior company executives to discuss their approach to the Ukraine crisis and their climate change strategy. Wizz Air was the only European airline with a base in Ukraine. At the start of the conflict, the company had 4 aircraft and 200 people in Ukraine. The Manager was informed that the company continued to pay salaries and provided logistical and financial support to affected employees. It supported refugees to rebase to Wizz Air hubs in the UK and Italy. Wizz Air appears to have managed the crisis well.</p> <p>On climate, Wizz Air has set the most ambitious 2030 decarbonisation targets in the industry but is yet to set a net zero target. To reach their 2030 targets, around 90% of the company's targeted 2030 decarbonisation will be driven by new aircraft, with the remainder coming from sustainable aviation fuels ("SAFs"). The Manager asked them to clearly disclose how ESG factors are included in their SAF procurement process. The Manager also asked for additional disclosures on offsets and climate lobbying.</p> <p>In a separate meeting, the Manager met the chair of the remuneration committee to discuss the implementation of the new pay policy approved at the prior AGM. The Manager had concerns with the scheme although recognised the significant changes made during the consultation process.</p>
<b>ASM International</b>	<p>During 2022, the Manager had an in-person meeting with Investor Relations at ASM's offices in Almere, Netherlands. Given the fierce war of talent in the semiconductor industry and the increased costs of hiring and retraining new staff, the Manager probed the company's efforts on employee engagement, diversity, and inclusion. In 2021, ASM welcomed a record-high number of new employees; however, it acknowledged that it is early in its journey on employee engagement and more work needs to be done. Other challenges it faced include the lack of female talent in the pipeline. The Manager recommended a focus on building the talent pipeline of women in STEM subjects, such as at the school level, setting targets in senior level positions, and inclusive hiring practices such as unconscious bias training.</p>

#### Engagement examples in the reporting period (continued)

<b>Tecan</b>	<p>The Manager has discussed with senior company representatives environmental and social issues. On the environmental front, the Manager asked about progress towards a measurable target to reduce waste and increase recycling. The Manager was informed that the results of Tecan's survey on waste-related issues are pending and will prompt action plans. Furthermore, the company is looking into the possibility of a waste takeback scheme.</p> <p>On the social side, the Manager asked for the publication of a target for representation of women in management positions, insights into the results of the gender pay gap analyses and enhanced disclosure on parental leave. The Manager reiterated the importance of the Workforce Disclosure Initiative's, WDI, survey. Overall, interactions are constructive, and the Manager remains pleased with the company's positive progress.</p>
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#### Voting on portfolio investments

As noted previously, the Manager's Corporate Governance Guidelines set out expectations of the boards of investee companies in terms of good corporate governance. The Board expects to be informed by the Manager of any sensitive voting issues involving the Company's investments. In the absence of explicit instructions from the Board, the Manager is empowered to exercise discretion in the use of the Company's voting rights and reports at each meeting to the Board on its voting record.

We expect the Company's shares to be voted on all holdings where possible. During the year, the Manager voted at 35 meetings of investee companies. The Manager did not support management's recommendations on at least one resolution at approximately 88% of all meetings. With respect to all items voted, the Manager supported over 85% of all management resolutions.

Two of the most contentious issues voted at meetings were remuneration and the election of board directors. On these issues, an adverse vote was cast at the meeting by either abstaining or voting against management resolutions. Remuneration matters represented approximately 39% of these votes. The rationale centred on a number of issues which did not accord with best practice including poor disclosure or a misalignment of pay with long-term performance. With regards to the election of board directors, this represented approximately 43% of adverse votes, primarily because of independence, overboarding or concerns regarding board composition.

The Manager's strategic approach to engagement helps to achieve positive outcomes, or 'milestones', relating to the targets that have been set under each of the Sustainable Development Goals. Two examples of milestones achieved in the reporting period are set out below.

#### Milestone examples in the reporting period

<b>Dalata Hotel Group</b>	<p>During the year, the board has carried out meaningful refreshment of the non-executive directors. The Manager had engaged with the company on this topic. This was becoming a critical issue given the long length of tenure served by the incumbent non-executives.</p>
<b>Tecan</b>	<p>Tecan participated in the Workforce Disclosure Initiative, WDI, survey for the first-time following engagement on the topic by the Manager. The WDI strives for relevant and material workforce-related disclosure, encompassing a wide range of topics, including health and safety practices, remuneration, freedom of association and employee engagement.</p>

## Climate Change

Of all the ESG issues the Manager considers, climate change is one of the most important both in terms of the scale of potential impact and in how widespread this impact could be across sectors and regions. The Company expects the Manager to incorporate considerations around climate change risks and opportunities in its investment processes.

In this report, the Company discloses its assessment of the carbon footprint of its investments, in line with the recommendations of the Task Force on Climate-related Financial Disclosures. This measures the amount of greenhouse gas emissions produced by each investee company, per US\$1m of revenue they generate. This is then

aggregated for the Company as a whole, using the portfolio weights of the companies, and compared with the benchmark.

The carbon footprint is a measure of the carbon intensity of the companies the Company invests in. Whilst it does not provide a full picture of climate risks – since it does not, for instance, capture the innovation that companies may be undertaking to find solutions – it is a valuable starting point both for analysis and for shareholder dialogue. The table highlights that the Company's portfolio of investments is significantly less carbon intensive than its benchmark.

### 2023

Last year, the Russian invasion of Ukraine and extreme weather events reinforced the importance of creating a more resilient future. Climate change, biodiversity loss and human rights are all issues that require urgent action. It is these areas that engagement focused on in 2022 and will continue to be of focus in 2023. Climate related engagement activity focuses on the phase-out of unabated coal generation by 2030 for developed markets, which is essential to achieve the Paris goals. The Manager will hold companies to account on net zero pledges, engaging with all portfolio companies, to ensure the thorough implementation of net zero strategies.

The continuing loss of biodiversity will bring about significant economic loss, and impact food and water security, as well as human health and the spread of disease. The Manager has been

part of the lead investor group setting up the Nature Action 100 collaborative engagement initiative, which had a soft launch at COP15. Investors will engage companies in key sectors to ensure they are taking timely and necessary actions to protect and restore nature and ecosystems. It also aims to engage policymakers on the outcomes of COP15.

Effective supply chain management practices are essential to ensuring the protection of human rights and in 2023 the Manager will continue to engage with corporates on implementing due diligence across supply chains, as part of efforts to protect human rights, and enhance business continuity and general supply chain management practices.

# Principal Risks and Changes in the Year

The Board has carried out a comprehensive robust assessment of the principal risks as well as a thorough process for the identification of emerging risks and reviewed the uncertainties that could threaten the Company's success.

Most of the Company's principal risks are market-related and no different to those of other investment trusts investing in listed markets.

The global economy continues to suffer considerable disruption due to the effects of the COVID-19 pandemic, inflationary concerns and the war in Ukraine. The Directors

have reviewed the risk register for the Company which identifies the risks that the Company is exposed to, the controls in place and the actions being taken to mitigate them. The principal ongoing risks and uncertainties currently faced by the Company, and the controls and actions to mitigate those risks, are described below.

Principal Risks	Mitigation
<p><b>Poor absolute and/or relative performance</b> Inappropriate stock selection, asset allocation and gearing levels result in poor NAV and share price performance against Benchmark and/or peer group. Failing performance results in reduced demand for the Company's shares and a widening share price discount.</p> <p>➡ No change in overall risk in year</p>	<p>At each Board meeting the Directors monitor performance against Benchmark and peer group. The Manager attends each regular board meeting and will discuss the reasons for any over or underperformance.</p> <p>The Company's broker, Panmure Gordon, will provide market intelligence at each meeting noting underlying demand for the Company's shares.</p> <p>The Company has received the necessary authority from Shareholders to regulate the premium or discount that the Company's shares may trade at by purchasing or issuing shares.</p>
<p><b>Relevance/attractiveness of the investment strategy and policy</b> An unattractive investment strategy, loss of cost competitiveness and/or a changing investment product environment, including ESG, leads to a fall in demand for the Company's shares resulting in an increasing share price discount.</p> <p>➡ No change in overall risk in year</p>	<p>Investment policy and performance are reviewed by the Board at each meeting. Rigorous individual stock reviews are regularly performed by the Manager and action taken to either hold, accumulate or sell. Cash, borrowing and gearing limits are set and monitored regularly.</p>
<p><b>The Manager</b> Failure of the Manager or loss of senior staff could cause reputational damage and/or place the business in jeopardy. Execution risk arising from the acquisition of BMO GAM EMEA by Columbia Threadneedle Investments.</p> <p>➡ No change in overall risk in year</p>	<p>The Board meets regularly with the management of Columbia Threadneedle Investments and receives an annual Audit Assurance Faculty Report on its procedures. The Manager's appointment can be terminated at six months' notice. Key man risk is limited by the team approach adopted by the Global Smaller team at Columbia Threadneedle Investments.</p>
<p><b>Regulatory and compliance (including ESG reporting)</b> To maintain its investment trust status, the Company is required to comply with Section 1158 of the UK Corporation Taxes Act. The Company is also required to comply with UK company law, is subject to the requirements of the AIFMD and the relevant regulations of the London Stock Exchange and the Financial Conduct Authority.</p> <p>➡ No change in overall risk in year</p>	<p>At each Board meeting the Company receives an update from the Secretary on legal, regulatory and accounting developments. The Company is a member of the Association of Investment Companies which provides guidance on regulatory developments. The Company has appointed EY LLP as its tax advisor and Shepherd and Wedderburn as its legal counsel. The Manager has a long established and highly regarded Responsible Investment team which presents to the Board annually.</p>
<p><b>Service provider failure</b> Errors, fraud or control failures at service providers or loss of data through increasing cyber threats or business continuity failure could damage reputation or investors' interests or result in losses.</p> <p>➡ No change in overall risk in year</p>	<p>The Board receives regular control reports from the Manager covering risk and compliance including oversight of third-party service providers. The Board has access to the Manager's Risk Manager and requires any significant issues directly relevant to the Company to be reported immediately. The Depositary is specifically liable for loss of any of the Company's securities and cash held in custody.</p>
<p><b>Dividend policy</b> The Company's high distribution policy becomes unsustainable.</p> <p>➡ No change in overall risk in year</p>	<p>The annual dividend is calculated as six per cent of the closing net asset value of the Company as at 31 December of the preceding year.</p> <p>As at 31 December 2022 the Distributable reserves of the Company was £296.9 million in comparison to a 2022 dividend cost of £31.7 million.</p>
<p><b>Geopolitical issues and their impact</b> Geopolitical issues including the possibility of prolonged recession in the United Kingdom and key economies in the EU and the impact of the war in Ukraine.</p> <p>⬆ Increase in overall risk in year</p>	<p>The Company has a clearly defined and approved strategy. The Board can hold additional board meetings at short notice to discuss the impact of significant changes in the macroeconomic and geo-political environment. The Company maintains a portfolio of diversified stocks.</p> <p>Forward looking stress tests ranging from moderate to extreme scenarios are provided by the Manager to the Board to support the Viability and Going Concern Statements.</p>

In addition a detailed review of the risks of the Company's investment portfolio including market, credit, foreign currency and liquidity is provided in note 22 beginning on page 67. Details of actions taken to reduce the potential impact of these risks is also provided.

#### Actions taken in the year

An annual strategy meeting of the Board is held to consider longer terms issues and opportunities for the Company. This includes a review of the Company's investment policy. Representatives of the Company's broker attended most Board meetings and update Directors with regard to changes in the demand for the Company's shares.

During the year the Board sought and received from Shareholders at the Annual General Meeting held in May 2022 the powers to issue and buyback shares.

At each meeting of the Board, the Directors consider and discuss the investment performance of the Company with the Company's Investment Managers. As noted above, the Board held its annual strategy meeting in November 2022.

At each meeting of the Board representatives of the Manager provide an update on the integration of the former BMO GAM EMEA business into Columbia Threadneedle Investments.

At the Board's annual strategy meeting held in November 2022, the Chief Investment Officer, EMEA and Global Head of Investment Solutions at Columbia Threadneedle Investments updated the Board with regard to the integration of the former BMO GAM EMEA business.

A representative of the Depositary attended and reported to the Audit and Risk Committee in July 2022 on its activities during the previous 12 months.

Members of the Responsible Investment team presented to the Board at the annual strategy meeting held in November 2022. The presentation included details of the voting undertaken on the Company's behalf, engagement with management of portfolio companies and milestones achieved.

The Remuneration and Nomination Committee liaised with the external recruitment agent to develop a role specification for the Board vacancy.

The Manager continues to strengthen and develop its Risk, Compliance and Internal Control functions including IT security. Supervision of third-party service providers has been maintained by the Manager and includes assurances regarding IT security and cyber threat. The Depositary oversees custody of investments and cash and reports to the Company in accordance with the Alternative Investment Fund Managers Directive.

On 5 January 2023 the Board declared an annual dividend for 2023 of 5.80 pence per share. This was calculated as six per cent of the 31 December 2022 NAV of the Company. The reduction in the dividend for 2023 in comparison to that paid in 2022 reflects the fall in the NAV of the Company experienced in 2022.

At each Board meeting during the year the Directors monitor the dividend yield of the Company. The Directors also monitor the Company's distributable reserves and the net asset value five years previously.

At each meeting of the Board, the Directors consider and discuss the investment performance of the Company with the Company's Investment Managers. The Board held its annual strategy meeting in November 2022.

In May 2022 the Chief Economist of the Manager presented to the Board on the global and European economy. At the March 2023 Audit and Risk Committee meeting, the Directors reviewed updated forward looking stress tests prepared by the Manager providing support for the Viability and Going Concern Statements disclosed on page 32.

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# Directors

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**Jack Perry CBE, Chairman and Chair of Management Engagement Committee** is a portfolio non-executive director and has served on the Boards of FTSE 250 and other public and private companies. He is currently Chairman of ICG-Longbow Senior Secured UK Property Debt Investments Limited and a non-executive director and Chairman of the Audit and Risk Committee of Witan Investment Trust plc. In his executive career he was Chief Executive of Scottish Enterprise and prior to this, Managing Partner, Glasgow and a Regional Industry Leader for Scotland and Northern Ireland for Ernst and Young LLP. He is a member of the Institute of Chartered Accountants of Scotland and is a past Chairman of CBI Scotland. It is anticipated that Jack will retire from the Board at the conclusion of the Annual General Meeting of the Company to be held in 2024. Shared directorships with other Directors: None

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**Julia Bond OBE, Senior Independent Director and Chair of Remuneration and Nomination Committee** has 27 years' experience of capital markets in the financial services sector, latterly at Credit Suisse where she led global client facing teams alongside leading One Bank Delivery. She has served on various listed and public boards and is currently a non-executive director of International Public Partnerships, Strategic Command and the British Foreign and Commonwealth Development Office. It is anticipated that Julia will retire from the Board on 31 January 2024. Shared directorships with other Directors: None

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**Stuart Paterson, Chair of Audit and Risk Committee** is a co-founder and partner of Scottish Equity Partners ("SEP"), one of Europe's leading technology growth equity investors with strong investment performance track record, managing more than £1bn of institutional capital over two decades. Stuart has over 25 years of equity investing in European private companies and has served on Boards in numerous sectors over the years including Enterprise Software, Semiconductors, Telecoms, Data centres, as well as consumer-focused e-commerce and digital on-line businesses. Notable early-stage investments of Stuart on behalf of SEP include Cambridge Silicon Radio plc which listed and became a FTSE 250 company, and Skyscanner the consumer internet business which became the world's largest flight search business. Stuart trained with Ernst & Young and is a member of the Institute of Chartered Accountants of Scotland. He latterly worked in Corporate Finance for Ernst & Young before moving into equity investment. Shared directorships with other Directors: None

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**Martin Breuer** is Founder and CEO of 2M SRLS and Gruppo Glossip Srl, both companies active in the international beauty business. Previously he was an executive with Siemens, Chief Financial Officer of SEVES and Intercos Group. In addition, he has served as Chief Executive Officer for Intercos in Asia Pacific and Chief Executive Officer of Italian cosmetic manufacturer Gotha Cosmetics. Shared directorships with other Directors: None

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**Pui Kei Yuen** has over 25 years' experience in equities. Her roles have included UK institutional equity portfolio management and research at Mercury Asset Management, Pan European equity responsibilities at UBS and Bank of America Merrill Lynch, advising large institutional investors and hedge funds, and working with the Boards of earlier stage private companies. Pui Kei is also a Non-Executive Director of JPMorgan American Investment Trust PLC. Shared directorships with other Directors: None

# Management and Advisers

## Board

Jack Perry (Chairman and Chair of the Management Engagement Committee)  
 Julia Bond (Senior Independent Director and Chair of the Remuneration and Nomination Committee)  
 Stuart Paterson (Chair of the Audit and Risk Committee)  
 Martin Breuer  
 Pui Kei Yuen

*All Directors are non-executive*

## Registered Office

Exchange House  
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 London  
 EC2A 2NY

## Investment Manager, Secretary and AIF Manager

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 Edinburgh EH3 9EG  
 Tel No. 0131 718 1000

## Registrar

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 The Pavilions  
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 Bristol BS99 6ZZ  
 Tel No. 0370 889 4094

## Loan Provider

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 201 Bishopsgate  
 6th Floor  
 London  
 EC2M 3NS

## Brokers

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 40 Gracechurch Street  
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## Depository

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 E14 5JP

## Custodian

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 London  
 SE1 2RT

## Lawyers

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 1 Exchange Crescent  
 Conference Square  
 Edinburgh EH3 8UL

## Tax Advisers

Ernst & Young LLP  
 Atria One  
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 Edinburgh  
 EH3 9EX

## Website

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

# Directors' Report

The Directors submit the Report and Accounts of the Company for the year ended 31 December 2022. The Directors' biographies, the Corporate Governance Statement; the Reports of the Remuneration and Nomination Committee; the Audit and Risk Committee and the Management Engagement Committee; and the Directors' Remuneration Report form part of this Directors' Report.

## Statement regarding Report and Accounts

The Directors consider that, following advice from the Audit and Risk, Management Engagement and Remuneration and Nomination Committees, the Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy. The Audit and Risk Committee has reviewed the final draft Report and Accounts for the purposes of this assessment. The market outlook for the Company can be found on page 7. Principal risks can be found on page 28 with further information on page 67.

## Accounting

Shareholders will be asked to approve the adoption of the Report and Accounts at the forthcoming AGM (**Resolution 1**).

The financial statements, starting on page 53, comply with current International Financial Reporting Standards, supplemented by the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("**SORP**"). The significant accounting policies of the Company are set out in note 2 to the accounts. The auditor's unqualified opinion on the financial statements appears on pages 47 to 52.

## Results and dividends

The results for the period are set out in the attached accounts. The Company's dividend payments during the year ended 31 December 2022 are set out below.

### Dividends paid in the year ended 31 December 2022

First interim dividend for the year ended 31 December 2022 paid on 31 January 2022	2.20p
Second interim dividend for the year ended 31 December 2022 paid on 29 April 2022	2.20p
Third interim dividend for the year ended 31 December 2022 paid on 29 July 2022	2.20p
Fourth interim dividend for the year ended 31 December 2022 paid on 31 October 2022	2.20p

As explained in the Chairman's Statement, the Board has resolved to pay a dividend of, in aggregate, 5.8 pence per share for 2023. The dividend for 2023 will be paid in four equal, quarterly instalments on 31 January, 28 April, 31 July and 31 October 2023 to registered holders of shares at an appropriate

record time. The first quarterly dividend of 1.45 pence per share was paid on 31 January 2023 to Shareholders on the register of members on 13 January 2023 with an ex-dividend date of 12 January 2023.

As the Company's current practice is to pay dividends quarterly at the end of January, April, July and October, the Company does not pay a final dividend that would otherwise require formal Shareholder approval at a General Meeting. In the absence of such a requirement for Shareholder approval of a final dividend, approval will be sought at the forthcoming 2023 Annual General Meeting ("**AGM**") to approve the Company's dividend policy as set out on page 20 of this report. (**Resolution 2** in the Notice of AGM set out on pages 73 to 77).

## Company status

The Company is a public limited company and an investment company as defined by section 833 of the Companies Act 2006. The Company is limited by shares and is registered in England and Wales with company registration number 11672363. It is subject to the Listing Rules of the UK Financial Conduct Authority, UK legislation and regulations including company law, financial reporting standards, taxation law and its own articles of association.

## Taxation

As set out on page 20 and in note 9 to the accounts, the Company is exempt from UK Corporation Tax on its dividend income and from UK Corporation Tax on any capital gains arising from the portfolio of investments, provided it complies at all times with section 1158 of the Corporation Tax Act 2010. Dividends received from investee companies domiciled outside the UK are subject to taxation in those countries in accordance with relevant double taxation treaties.

## Viability and going concern statements

The UK Corporate Governance Code requires a board to assess the future prospects for a company, and report on the assessment within the annual report.

The Board considered that a number of characteristics of the Company's business model and strategy were relevant to this assessment:

- The Company as an active investor looks to long-term outperformance compared to its Benchmark rather than short term opportunities.

- The Company is a closed-end investment company and as such is not required to sell investments in a market downturn in order to fund investor redemptions.
- The Company's investment objective, strategy and policy, which are subject to regular Board monitoring, mean that it is invested in realisable, listed securities and that the level of borrowings is restricted.
- The Company's business model and strategy is not time limited.

Also relevant were a number of aspects of the Company's operational arrangements:

- It retains title to all assets held by the Custodian under the terms of formal agreements with the Custodian and Depositary.
- The annual dividend declared by the Company is determined in accordance with the year-end net asset value.
- Revenue and expenditure forecasts of the Company are reviewed by the Directors at each Board Meeting.

In addition, the Board carried out a robust assessment of the principal risks which could threaten the Company's objective, strategy, future performance, liquidity and solvency. These risks, mitigating actions in place to ensure the Company's resilience and the processes for monitoring risks are set out on page 28 and in Note 22 of the accounts. These principal risks were identified as relevant to the viability assessment. In undertaking this assessment, the Board took into account the following factors:

- the liquidity of the Company's portfolio;
- the existence of a borrowing facility;
- the effects of any significant future falls in investment values and income receipts on the ability to repay and re-negotiate borrowings;
- the maintenance of dividend payments and the retention of investors;
- the potential need for more share issuance capacity in the event of unexpected market demand; and
- minimising the discount between the Company's share price and net asset value.

The Board gave careful consideration to the impact of the COVID-19 pandemic, inflationary concerns and the war in Ukraine and the resulting volatility in stockmarkets and economic disruption when making this assessment.

As discussed in note 23 to the financial report on page 72, the Company has a number of banking covenants and at present the Company's financial position does not suggest that any of these are close to being breached. The primary risk is that there is a very substantial decrease in the net asset value of the Company in the short to medium term. Financial modelling has been undertaken to consider compliance with these covenants in several scenarios including the outcome of the 2008 Global Financial Crisis. These extreme but plausible scenarios indicate that the loan covenants would not be breached. In addition, the Directors have considered the remedial measures that are open to the Company if such a covenant breach appears possible. As at 27 March 2023, the latest practicable date before the publication of this report, borrowings amounted to €20 million. This is

comparison to a net asset value of €404.0 million. In accordance with its investment policy the Company is invested mainly in readily realisable listed securities. These can be realised if necessary, to repay the loan facility and fund the cash requirements for future dividend payments.

These matters were assessed over a five-year period to March 2028. The Board of the Company will continue to assess viability over five-year rolling periods, taking account of foreseeable severe but plausible scenarios. A rolling five-year period represents the horizon over which the Board believes it can form a reasonable expectation of the Company's prospects, balancing its financial flexibility and scope with the current uncertain outlook for longer-term economic conditions affecting it and its shareholders.

Based on their assessment, and in the context of the Company's business model, strategy and operational arrangements set out above, the Board has 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 to March 2028. For this reason, the Board also considers it appropriate to continue adopting the going concern basis in preparing the Report and Accounts.

#### Statement as to disclosure of information to the auditor

Each of the Directors confirms that, so far he or she is aware, there is no information relevant to the preparation of the Report and Accounts of which the auditor is unaware and that he or she has taken all the steps that a Director ought to have taken to be aware of relevant audit information and to establish that the auditor is aware of that information.

#### Capital structure

As at 31 December 2022 there were 360,069,279 Ordinary Shares in issue. As at 27 March 2023 (being the latest practicable date before publication of this report) the number of Ordinary Shares in issue was 360,069,279. No Ordinary Shares were held in treasury.

All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid.

Details of the capital structure can be found in note 16 to the accounts. The revenue profits of the Company, together with the realised capital profits and the balance of the Distributable Reserve are available for distribution by way of dividends to the holders of the Ordinary Shares.

Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to Shareholders pro-rata to their holdings of Ordinary Shares. Full details are set out in the Company's articles of association.

## Share capital

At 31 December 2022 no notifications of significant voting rights had been received under the Financial Conduct Authority's Disclosure and Transparency Rules.

CT Savings Plans owned 125,297,241 Ordinary Shares or 34.8 per cent of the issued share capital of the Company, at 31 December 2022. For non-contentious resolutions the nominee company holding these shares votes the shares held on behalf of planholders who have not returned their voting directions in proportion to the directions of those who have ("proportional voting"). Implementation of this arrangement is subject to a minimum threshold of 5% of the shares held in the CT Savings Plans being voted. A maximum limit of 50,000 shares that any one individual investor can vote, being approximately 1.0% of the relevant minimum threshold, also applies. Any individual voting directions received in excess of the maximum limit will remain valid but will not form part of the proportional voting basis. Planholders have the right to exclude their shares from the proportional voting arrangement.

## Borrowings

In March 2022 the Company entered into a €45 million multi-currency revolving loan facility with The Bank of Nova Scotia, London Branch expiring March 2023. The loan covenants have all been met during the period. The interest rate on the amount drawn down and commitment fees payable on undrawn amounts are based on the commercial terms agreed with The Bank of Nova Scotia, London Branch.

As at 31 December 2022 the loan facility was €10 million drawn. Following the year end, the Company has agreed to renew its facility with The Bank of Nova Scotia, London Branch on favourable terms.

## Remuneration Report

The Directors' Remuneration Report, which can be found on page 41, provides detailed information on the remuneration arrangements for Directors of the Company, including the Directors' Remuneration Policy.

Shareholders are asked to approve the policy at the AGM to be held on 18 May 2023. The policy is subject to approval by Shareholders every three years. There have been no changes to the policy since the last approval by Shareholders in 2020.

Remuneration is set at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole in continuing to achieve the investment objective.

It is intended that this policy will continue for the three-year period ending at the AGM in 2026.

Shareholders will be asked to approve the Directors' Remuneration Policy (**Resolution 3**).

Shareholders will be asked to approve the Directors' Remuneration Report (**Resolution 4**).

## Appointment of auditors and auditor's remuneration

**Resolutions 5 and 6** seek Shareholder approval, respectively, for the re-appointment of PricewaterhouseCoopers LLP as the auditor of the Company and to authorise the Audit and Risk Committee to determine their remuneration for the year ended 31 December 2023.

## Director re-elections

The names of the Directors, along with their biographical details, are set out on page 30.

All the Directors have held office throughout the year under review.

All directors will stand for re-election by Shareholders at the AGM.

Following a review of their performance, the Board believes that each of the Directors standing for election or re-election has and will continue to make a valuable and effective contribution to the Company. The skills and experience each Director brings to the Board for the long-term sustainable success of the Company are set out below. The Board recommends that Shareholders vote in favour of the election and re-elections of the Directors (**Resolutions 7 to 11**).

**Resolution 7** concerns the re-election of Jack Perry, who has served the Company and its predecessor for over 8 years, 7 as Chairman. He has served on the Boards of FTSE 250 and other public and private companies and is a member of the Institute of Chartered Accountants of Scotland. He was Managing Partner for Scotland and Northern Ireland for Ernst and Young and is currently Chairman of one other investment company and non-executive director of another. It is anticipated that he will retire from the Board at the conclusion of the Company's 2024 AGM.

**Resolution 8** concerns the re-election of Julia Bond, who has served the Company and its predecessor for over 8 years and has a strong financial sector background having held senior positions within Credit Suisse. She is currently a non-executive director of another investment trust, Strategic Command and the British Foreign and Commonwealth Development Office. It is anticipated that she will retire from the Board on 31 January 2024.

**Resolution 9** concerns the re-election of Stuart Paterson who has served on the Board for over three years. He was a co-founder and is a partner of Scottish Equity Partners, one of Europe's leading technology growth equity investors. He is an experienced technology investor with over 25 years of equity investing in European private companies and is a member of the Institute of Chartered Accountants of Scotland. It is anticipated that he will become Chairman of the Company at the conclusion of the AGM in 2024.

**Resolution 10** concerns the re-election of Martin Breuer, who has served the Company and its predecessor for over 6 years. He is a German national, currently based in Italy, with extensive industrial experience with Continental European companies.

**Resolution 11** concerns the re-election of Pui Kei Yuen who has served the Company for two years. She has extensive experience in the fund management and investment banking industries at Mercury Asset Management, UBS and Bank of America Merrill Lynch. She is also currently a non-executive director of another investment trust.

## Directors' interests and indemnification

There were no contracts of significance to which the Company was a party and in which a Director is, or was, materially interested during the period. There are no agreements between the Company and its Directors concerning compensation for loss of office.

The Company has granted deeds of indemnity to the Directors in respect of liabilities that may attach to them in their capacity as Directors of the Company. These deeds cover any liabilities that may arise to a third-party for negligence, default or breach of trust or duty. These deeds of indemnity are qualifying third-party provisions (as defined by section 234 of the Companies Act 2006) and have been in force throughout the period of review and remain in place at the date of this report. They are available for inspection at the Company's registered office during normal business hours and at the AGM. The Company also maintains directors' and officers' liability insurance.

## Safe custody of assets

The Company's investments are held in safe custody by JP Morgan Chase Bank ("the Custodian"). Operational matters with the Custodian are carried out on the Company's behalf by the Manager in accordance with the provisions of the management agreement. The custodian is paid a variable fee dependent on the number of trades transacted and location of the securities held.

## Depository

JPMorgan Europe Limited acts as the Company's depository, ("the Depository") in accordance with the AIFMD. The Depository's responsibilities, which are set out in an Investor Disclosure Document on the Company's website, include: cash monitoring; ensuring the proper segregation and safekeeping of the Company's financial instruments that are held by the custodian; and monitoring the Company's compliance with investment and leverage limits requirements.

Although the Depository has delegated the safekeeping of all assets held within the Company's investment portfolio to the Custodian, in the event of loss of those assets that constitute financial instruments under the AIFMD, the Depository will be obliged to return to the Company financial instruments of an identical type, or the corresponding amount of money, unless it can demonstrate that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

## The Manager's fee

The Manager receives a fee equal to 0.75 per cent per annum of the value of funds under management up to the value of €400 million. Funds under management is calculated as the value of total assets less current liabilities (excluding borrowings) at the end of the preceding quarter. Where the value of funds under management exceeds €400 million, the applicable rate over such excess value is 0.6 per cent per annum.

An additional fee of £100,000 per annum is payable by the Company to the Manager for the provision of administrative services.

## Benchmark

The Company's stated investment policy allows the Manager to invest in small and medium-sized European companies (excluding the UK) which have a market capitalisation below that of the largest company in the EMIX Smaller European Companies (ex UK) Index.

IHS Market Benchmark Administration has announced its intention to cease calculation of its EMIX indices with effect from 31 July 2023. The current benchmark of the Company, the EMIX Smaller European Companies (ex UK) Index (Net Return) will therefore be discontinued.

The Board, together with its advisers have carefully considered alternative benchmarks to replace the EMIX Smaller European Companies (ex UK) Index and have concluded that the MSCI Europe Ex UK SMID Cap Index, on a net return basis, represents the most appropriate choice, noting, that this index has the greatest overlap of those indices considered with the current portfolio, as well as a similar number of constituents to the current benchmark.

The MSCI Europe Ex UK SMID Cap Index, which is composed of European small and mid-cap companies, does have a broader range of market capitalisation within its constituents which is relevant to the upper size limit contained in the investment policy of the Company. The adoption of the MSCI Europe Ex UK SMID Cap Index should therefore be treated as a material change to the Company's investment policy. However, the Manager has confirmed that the selection of the new benchmark does not imply that there will be any change to the existing selection process for investments.

**Resolution 12** therefore seeks Shareholder approval for the replacement of the existing benchmark with the new benchmark at the Annual General Meeting to be held on 18 May 2023 prior to its adoption with effect from 1 June 2023, as well as to provide flexibility in the terms of the investment policy for further changes to the benchmark to be made in the future should the Board consider this necessary.

It is, however noted that, to the extent that any further change was material, this would again require approval of the Financial Conduct Authority and Shareholders under the Listing Rules.

## AGM

The Notice of AGM to be held on 18 May 2023 at 3.00pm is set out on pages 73 to 77.

## Directors' authority to allot shares and disapplication of pre-emption rights

The Directors are seeking to renew their authority to allot shares.

**Resolution 13** in the Notice of AGM, which will be proposed as an ordinary resolution, seeks renewal of such authority to allot Ordinary Shares up to an aggregate nominal amount of £3,600,692 (being an amount equal to 10 per cent of the total issued share capital of the Company as at the date of this report).

Under **Resolution 14**, which will be proposed as a special resolution, the Directors are also seeking to renew the authority to allot new Ordinary Shares and/or sell Ordinary Shares held by the Company as treasury shares for cash as if section 561 of the

Companies Act 2006 did not apply. (This section requires that, when equity securities are allotted for cash, such new shares are first offered to existing equity shareholders in proportion to their existing holdings of shares, this entitlement being known as "pre-emption rights").

Allotments of Ordinary Shares pursuant to these authorities would enable the Directors to issue shares for cash and/or to sell equity securities held as treasury shares to take advantage of changes in market conditions that may arise, in order to increase the amount of the Company's issued share capital. A likely purpose of such an increase would be to improve the liquidity of the market in the Company's shares and to spread the fixed costs of administering the Company over a wider base. The Directors believe that this authority, if granted to the Directors, would provide the necessary flexibility permitted by investor protection guidelines to respond to market developments in the interest of existing Shareholders. Except where authorised by Shareholders, no shares will be issued or sold from treasury by the Directors at a price which (after costs and expenses) is less than the net asset value per share at the time of the issue or sale, unless the shares are first offered pro rata to shareholders on a pre-emptive basis. The Company has been authorised to sell any treasury shares held from time-to-time at below net asset value subject to the limitation on asset dilution set out below.

The absolute level of dilution through the sale of treasury shares is restricted to 0.5% of Net Asset Value in any one year, and treasury shares which are sold at a discount to Net Asset Value will only be sold where the discount at which the shares are sold is lower than the average discount at which the shares have been acquired, and in addition the price at which shares are sold must not be less than the market bid price at time of sale.

**Resolution 14**, if passed, will give the Directors power to allot for cash Ordinary Shares of the Company and to sell Ordinary Shares out of treasury up to a maximum nominal amount of £1,800,346 (being an amount representing 5 per cent of the total issued ordinary share capital of the Company as at the date of this report) without the application of the pre-emption rights described above. The calculation of the above figure is in accordance with the Investment Association Share Capital Management Guidelines and other applicable investor protection guidelines, and the Directors will not use the authority other than in accordance with those guidelines.

The authorities contained in Resolutions 13 and 14 will continue until the AGM of the Company in 2024, and the Directors envisage seeking renewal of these authorities in 2024 and in each succeeding year, subject to such renewals again being in accordance with the applicable investor protection guidelines.

### Directors' Authority to Buy Back Shares

The current authority of the Company to make market purchases of up to 10 per cent of the issued Ordinary Shares expires at the end of the AGM and **Resolution 15**, as set out in the Notice of the AGM, seeks renewal of such authority. The renewed authority to make market purchases will be in respect of a maximum of 10 per cent of the issued Ordinary Shares as at the date of the passing of the resolution (approximately 36 million Ordinary Shares). The price paid for Ordinary Shares under this authority will not be less

than the nominal value of 10p per Ordinary Share nor more than the highest of:

- (i) 5 per cent above the average of the middle market values of those shares for the five business days before the shares are purchased;
- (ii) the price of the last independent trade on the trading venue where the purchase is carried out; and
- (iii) the highest current independent bid on that venue.

This power will only be exercised if, in the opinion of the Directors, a purchase will result in an increase in net asset value per share of the Ordinary Shares and be in the interests of Shareholders as a whole. Purchases would only be made for cash at a cost which is below the prevailing net asset value per share. Any shares purchased under this authority will be cancelled or held in treasury for future re-issue. The effect of any cancellation would be to reduce the number of shares in issue. For most purposes, where held in treasury, shares are treated as if they had been cancelled (for example they carry no voting rights and do not rank for dividends).

The purpose of holding some shares in treasury is to allow the Company to re-issue or sell these shares quickly and cost effectively, thus providing the Company with greater flexibility.

The authority contained in Resolution 15, if passed, will continue until the AGM of the Company in 2024, and the Directors envisage seeking renewal of this authority in 2024 and in each succeeding year, subject to such renewals again being in accordance with the applicable investor protection guidelines.

### Recommendation

The Board considers that the passing of the resolutions to be proposed at the AGM is in the interests of the Company and its Shareholders as a whole and they unanimously recommend that Shareholders vote in favour of all of them.

### Statement Regarding Report and Accounts

Following a detailed review of the Report and Accounts by the Audit and Risk Committee, the Directors consider that taken as a whole it is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion, the Directors have assumed that the reader of the Report and Accounts would have a reasonable level of knowledge of the investment industry in general and investment trusts in particular.

*SKM*

By order of the Board  
**Columbia Threadneedle Investment Business Limited**  
Secretary  
28 March 2023

# Corporate Governance

## Introduction

The Company adheres to the principles and recommendations of the revised AIC Code of the Corporate Governance (the "**AIC Code**") published in 2019.

The Board believes that the Company has complied with the current recommendations of the AIC Code during the year under review and up to the date of this report and, except as regards the provisions set out below, has thereby complied with the relevant provisions of the 2018 revision to the UK Corporate Governance Code ("**UK Code**");

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Corporate Governance Guide for Investment Companies, the Board considers these provisions as not being relevant to the Company, as it is an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions have been delegated to the Manager. As a result, the Company has no executive Directors, employees or internal operations. Therefore, with the exception of the need for an internal audit function, which is addressed on page 44, the Company has not reported further in respect of these provisions.

Detailed information on the Directors' Remuneration can be found in the Directors' Remuneration Report on pages 41 to 42 and in note 6 to the accounts.

Copies of both codes may be found on the respective websites [theaic.co.uk](http://theaic.co.uk) and [frc.org.uk](http://frc.org.uk).

## AIFMD

The Company is defined as an Alternative Investment Fund ("**AIF**") under the AIFMD issued by the European Parliament, and which has been implemented into UK law. This requires that all AIFs must appoint a Depositary and an Alternative Investment Fund Manager ("**AIFM**"). The Board remains fully responsible for all aspects of the Company's strategy, operations and compliance with regulations. The Manager is the Company's AIFM.

## Articles of association

The Company's articles of association may only be amended by special resolution at general meetings of Shareholders.

## The Board

The Board of the Company is entirely non-executive. The Company has no employees. A management contract between the Company and the Manager sets out the matters over which the Manager has authority and the limits above which Board approval must

be sought. All other matters, including strategy, investment and dividend policies, gearing, and corporate governance procedures are reserved for the approval of the Board. With regard to these matters it is the responsibility of the Board to provide the Manager with general instruction and guidance. It is the responsibility of the Manager to act and manage the Company in accordance with these general directives and to report to the Board upon its corporate management.

During the period the performance of the Board, committees and individual Directors was evaluated through a discussion process led by the Chairman. The performance of the Chairman was evaluated by the other Directors.

Amongst other considerations, the performance evaluation considered the balance of skills and diversity of the Board, as well as the Board's overall effectiveness. The Board believes it has an appropriate balance of skills and experience, length of service and knowledge of the Company. The Board does not consider that the use of external consultants to conduct this evaluation is likely to provide any meaningful advantage over the process adopted. The option is, however, kept under review.

The table on page 38 sets out the number of scheduled Board and Committee meetings held during the year ended 31 December 2022 and the number of meetings attended by each Director.

The Board also held a strategy meeting and three committee meetings during the year.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. No such advice was sought during the period. The Company maintains appropriate Directors' and Officers' liability insurance and has granted deeds of indemnity to the Directors in respect of liabilities that may attach to them in their capacity as Directors of the Company.

The Board receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings. The Board has direct access to the company secretarial advice and services provided by the Manager. The proceedings at all Board meetings are fully recorded through a process that allows Director's concerns to be recorded in the minutes. The Board has the power to appoint or remove the Company Secretary.

## Appointments and Succession Planning

The Board has established a Remuneration and Nomination Committee. This committee is responsible for the review of the re-appointment of Directors, as they fall due for re-election and to make recommendations to the Board.

In order to comply with the spirit of the Code, the Directors consider that their period of office commenced with their appointment to the Board of European Assets Trust NV, the Company's predecessor.

Year ended 31 December 2022	Board meetings of Directors		Audit and Risk Committee Meetings		Remuneration and Nomination Committee Meetings		Management Engagement Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Jack Perry CBE	5	4	3	3	2	1	1	1
Julia Bond OBE	5	5	3	3	2	2	1	1
Stuart Paterson	5	5	3	3	2	2	1	1
Martin Breuer	5	5	3	3	2	2	1	1
Pul Kei Yuen	5	5	2	2	2	2	1	1

In addition, this committee is responsible for making recommendations to the Board regarding the nomination of additional Directors, where appropriate, for approval by the General Meeting of Shareholders.

In accordance with the AIC Code all Directors will now be subject to annual re-election at each AGM. Following the evaluation process set on page 37, the Board confirms that the performances of all Directors continue to be effective and demonstrate commitment to the role. The Board therefore believes that it is in the interest of Shareholders that all Directors seeking re-election be re-elected.

Appointments of all new Directors are made on a formal basis using professional search consultants, with the Board agreeing the selection criteria and the method of selection, recruitment and appointment. A Director role specification is prepared to assist with this process. Each appointment is subject to Shareholder approval at the subsequent AGM.

The length of tenure of the Chairman is determined by the UK Code's nine-year limit subject to the AIC Code derogation. Factors that will be considered include board rotation and retention of experience. The Board has an agreed succession plan for the orderly retirement of existing directors and to provide for the regular refreshment of skills and talent. Regular retirements of directors will take place ensuring that the Company complies with both the letter and spirit of the AIC Code. As part of this plan, it is anticipated that Julia Bond will retire from the Board on 31 January 2024. In advance of Julia's retirement, the Board will recruit a new Director. Jack Perry has announced his intention to retire from the Board at the conclusion of the Company's Annual General Meeting in 2024. Upon his retirement, Stuart Paterson will become Chairman.

As a further part of this succession plan a search company was commissioned to identify a new Director for the Board. Details regarding the search company are provided on page 40. Following a thorough selection process, Kevin Troup will be appointed to the Board and its committees with effect from 19 May 2023.

Following the retirement of Jack Perry and Stuart Paterson's assumption of the Chairmanship, Kevin Troup will be appointed Chair of the Company's Audit and Risk Committee.

Full details of the duties of a Director are provided at the time of their appointment. An induction process takes place for new appointees, who meet the Investment Manager, Company Secretary and other key employees of the Manager and are given briefings on the workings and processes of the Company.

Directors are encouraged to attend relevant training courses and seminars and receive regular updates on the industry and changes to regulation from external advisors and the Company Secretary.

### Independence of Directors

All Directors are considered by the Board to be independent of the Manager. The Board does not consider that a Director's tenure or other board memberships necessarily reduces his or her ability to act independently and, following performance evaluations, believes that each Director is independent in character and judgement and that continuity and experience add to the strength of the Board.

### Board committees

The Board has appointed committees with sufficient expertise, in accordance with the AIC Code in order to increase the efficiency of the Board's work. The respective chairs of the committees report to the Board on the work of the committees. The Company has established an Audit and Risk Committee, a Remuneration and Nomination Committee and a Management Engagement Committee.

### Audit and Risk Committee

The Company has established an Audit and Risk Committee which is chaired by Stuart Paterson and is comprised of all the independent members of the Board. The Audit and Risk Committee meets at least twice a year. The Board considers that the members of the Audit and Risk Committee have the requisite skills and experience to fulfil the responsibilities of the Audit and Risk Committee. The Audit and Risk Committee is responsible for ensuring that the financial performance of the Company is properly reported on and monitored and provides a forum through which the Company's external auditors may report to the Board. The Audit and Risk Committee reviews and recommends

to the Board on the annual and half yearly reports and financial statements, financial announcements, internal control systems and procedures and accounting policies of the Company.

The Report of the Audit and Risk Committee is contained on pages 43 and 44.

### Management Engagement Committee

The Company has established a Management Engagement Committee, which is chaired by Jack Perry and consists of all the independent members of the Board. The Management Engagement Committee meets at least once a year and its principal duties are to review the terms and conditions of the appointment of the Manager and other significant service providers including the Depositary and Custodian, corporate broker, administrator and legal counsel. Full consideration is given to the quality and value of the service received and recommendations are made to the Board on the appropriateness of all continuing appointments.

The Report of Management Engagement Committee is contained on page 45.

### Remuneration and Nomination Committee

The Company has established a Remuneration and Nomination Committee, which is chaired by the Senior Independent Director, Julia Bond and consists of all the independent members of the Board. The Remuneration and Nomination Committee meets at least once a year.

The Report of the Remuneration and Nomination Committee on page 40 includes details of its duties.

### Conflicts of interest

A company director has a statutory obligation to avoid a situation in which he or she has, or potentially could have, a direct or indirect interest that conflicts with the interests of the Company (a "situational conflict"). The Board therefore has procedures in place for the authorisation and review of situational conflicts relating to the Company's Directors.

Other than the formal authorisation of the Directors' other directorships and appointments, no authorisations have been sought.

Stuart Paterson is a member of the Supervisory Board of Mister Spex SE, which was an investment of the Company, during part of the year and therefore was recused from Board discussions on that holding.

Aside from situational conflicts, the Directors must also comply with the statutory rules requiring company directors to declare any interest in an actual or proposed transaction or arrangement with the Company. In the year under review there have been no instances of a Director being required to be excluded from a discussion or abstain from voting because of a conflict of interest.

### Relations with Shareholders

The Company welcomes the views of Shareholders and places importance on communication with its members. The Managers hold meetings with the Company's largest Shareholders and report back to the Board on these meetings. Each year, the Company will hold an Annual General Meeting to be followed by a presentation by the Investment Manager in London.

In accordance with the UK Code, in the event that when votes of 20 per cent or more have been cast against a resolution at a General Meeting the Company will announce the actions it intends to take to consult Shareholders to understand the reasons behind the result. A further update will be published within six months. No such votes were received during 2022.

Julia Bond, Senior Independent Director, is available to Shareholders if they have concerns which initial contact through the Chairman or Company Secretary has failed to resolve or for which such contact is inappropriate. Shareholders wishing to communicate with the Chairman or other members of the Board may do so by writing to European Assets Trust PLC, 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh EH3 9EG.

*SKM*

By order of the Board  
Columbia Threadneedle Investment Business Limited  
Secretary

28 March 2023

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# Report of the Remuneration and Nomination Committee

## Role of the Committee

The Committee met on two occasions during the year. The duties of the Remuneration and Nomination Committee are:

- To periodically review the level of Directors' fees and recommend any changes to the Board;
- The annual Board evaluation process.
- To be responsible for reviewing and making recommendations to the Board regarding nominating candidates for the approval by the General Meeting of Shareholders to fill vacancies on the Board of Directors;
- To consider and review the composition and balance of the Board from time to time and, where appropriate, to make recommendations to the Board;
- To review the re-appointment of Directors, as they fall due for re-election, under the terms of the Articles, and to make recommendations to the Board as considered appropriate;
- To review actual or possible conflicts of interest in respect of each Director and any authorised conflicts; and
- To consider other relevant topics, as defined by the Board.

## Composition of the Committee

All the Directors are members of the Committee the terms of reference of which can be found on the website at [www.europeanassets.co.uk](http://www.europeanassets.co.uk). The Committee is chaired by the Senior Independent Director, Julia Bond.

## Succession planning

Appointments of all new Directors are made on a formal basis, normally using professional search consultants, with the Remuneration and Nomination Committee agreeing the selection criteria and the method of recruitment, selection and appointment.

The Board has an agreed succession plan for the orderly retirement of existing Directors and to provide for the regular refreshment of skills and talent. Regular retirements of Directors will take place in the following years to ensure the Board enjoys

the right balance of both continuity and the regular refreshment of talent as well as compliance with the requirements of the AIC Code.

As part of this plan, it is anticipated that Julia Bond will retire from the Board on 31 January 2024. In advance of Julia's retirement, the Board will recruit a new Director. Jack Perry has announced his intention to retire from the Board at the conclusion of the Company's Annual General Meeting in 2024. Upon his retirement, Stuart Paterson will become Chairman.

As a further part of this succession plan, search company Cornforth Consulting, with no connection to the Company or an individual director, was commissioned to find a new Director for the Board. Following a thorough selection process, Kevin Troup will be appointed to the Board and its committees with effect from 19 May 2023.

Following the retirement of Jack Perry and Stuart Paterson's assumption of the Chairmanship, Kevin Troup will be appointed Chair of the Company's Audit and Risk Committee.

## Diversity

The Board's diversity policy, objective and progress in achieving it are set out on page 21.

## Committee evaluation

The activities of the committee were considered as part of the Board appraisal process completed in accordance with standard governance arrangements as summarised on page 37. The conclusion from the process was that the committee was operating effectively, with the right balance of membership, experience and skills.



**Julia Bond**

Remuneration and Nomination Committee Chairman

28 March 2023

# Directors' Remuneration Report

## Introduction

This Directors' remuneration report covers the year ended 31 December 2022.

## Directors' Remuneration Policy

The Board's policy is to set Directors' remuneration at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole in continuing to achieve the investment objective. The policy aims to be fair and reasonable in relation to comparable investment trusts and other similar sized financial companies. Time committed to the Company's affairs and the role that individual Directors fulfil in respect of Board and committee responsibilities are taken into account. The policy also provides for the Company's reimbursement of all reasonable travel and associated expenses incurred by the Directors in attending Board and committee meetings, including those treated as a benefit in kind subject to tax and national insurance. The Directors are not eligible for pension benefits, share options, long-term incentive schemes or other benefits.

This policy was last approved by Shareholders at the AGM held in May 2020 with 93.5% voting in favour and 6.5% against. The policy will next be put to Shareholders for approval at the AGM to be held in on 18 May 2023. It is intended that this policy will continue for the three-year period ending at the AGM in 2026. The Board has not received any views from Shareholders in respect of the levels of Director's remuneration.

The Company's articles of association limit the aggregate fees payable to the Board to a total of £500,000 per annum. The Remuneration and Nomination Committee considers the level of Directors' fees at least annually. The Committee receives details

of the fees paid to directors of commensurate companies. The Committee will then recommend to the Board a proposal for its approval.

The fees are fixed and are payable in cash, quarterly in arrears.

Following the latest review the Board agreed that with effect from 1 April 2023 the annual rates of remuneration will be increased to £48,000 for the Chairman, £38,000 for the Chairman of the Audit and Risk Committee, £37,000 for the Senior Independent Director and £32,750 for a Non-executive Director. These increases at less than 4% are lower than backdrop inflation.

The Board is composed solely of non-executive Directors, none of whom has a service contract with the Company. Each new Director is provided with a letter of appointment. There is no provision for compensation upon early termination of appointment. In normal circumstances these letters of appointment are available for inspection at the Company's registered office during business hours and will be available for 15 minutes before and during the forthcoming AGM.

Each Director's appointment is subject to election at the first AGM and continues thereafter subject to re-election at each subsequent AGM. All the Directors will stand for re-election at the AGM to be held on 18 May 2023.

Fees for services to the Company for the year ended 31 December (audited)

Director	Fees (audited)		Taxable Benefits <sup>(1)(2)</sup> (audited)		Total (audited)		Fees (unaudited)
	2022 £	2021 £	2022 £	2021 £	2022 £	2021 £	2023 £
Jack Perry CBE	45,813	44,375	3,724	941	49,537	45,316	47,600
Stuart Paterson	36,413	35,300	1,224	382	37,637	35,682	37,700
Julia Bond OBE	35,413	34,300	1,009	888	36,422	35,188	36,700
Martin Breuer	31,200	30,225	2,253	457	33,453	30,682	32,400
Pui Kei Yuen	31,200	25,520	918	803	32,118	26,323	32,400
Kevin Troup <sup>(3)</sup>	n/a	n/a	n/a	n/a	n/a	n/a	20,300
Laurence Jacquot <sup>(4)</sup>	n/a	11,070	n/a	38	n/a	11,108	n/a
<b>Total</b>	<b>180,039</b>	<b>180,790</b>	<b>9,128</b>	<b>3,509</b>	<b>189,167</b>	<b>184,299</b>	<b>207,100</b>

<sup>(1)</sup> Comprises amounts reimbursed for expenses incurred in carrying out business for the Company which have been grossed up to include PAYE and NI contributions.

<sup>(2)</sup> Increased year-on-year as a result of a return to normal business travel on behalf of the Company post COVID-19.

<sup>(3)</sup> To be appointed on 19 May 2023.

<sup>(4)</sup> Retired 13 May 2021.

### Annual percentage change

The table below sets out the annual percentage change in fees for each director who served in the year under review.

Director	2022 (audited)	2021 (audited)	2020 (audited)
Jack Perry CBE	+3.2	+0.9	+4.8
Stuart Paterson	+3.2	+6.3	+155.6 <sup>(2)</sup>
Julia Bond OBE	+3.2	+0.9	+3.0
Martin Breuer	+3.2	+0.8	+3.4
Pui Kel Yuen	+22.3 <sup>(1)</sup>	n/a	n/a

<sup>(1)</sup> Appointed as a Director with effect from 26 February 2021, increase reflects the first full year with the Company.

<sup>(2)</sup> Appointed as a non-executive Director on 22 July 2019, became Audit and Risk Committee Chair with effect from 14 May 2020. Increase reflects the first full year with the Company and the change in positions held.

### Policy implementation

The Directors' Remuneration Report is subject to an annual advisory vote and therefore an ordinary resolution for its approval will be put to Shareholders at the forthcoming AGM. The results of this vote is made available on the Company's website as soon as practicably possible afterwards.

At the AGM held on 17 May 2022 Shareholders approved the Directors' Remuneration Report in respect of the year ended 31 December 2021. 96.6% of votes were cast in favour of the resolution and 3.4% against.

### Directors' remuneration for the year

The Directors who served during the year received remuneration at the following annualised rates for services as non-executive Directors. Directors can expect to receive fees at the rates indicated for 2023 as well as reimbursement for expenses necessarily incurred.

The fees for specific responsibilities are set out below.

#### Annual fee rates for Board responsibilities

	With effect from 1 April 2023 £	With effect from 1 April 2022 £
Chairman	48,000	46,250
Chairman of Audit and Risk Committee	38,000	36,750
Senior Independent Director	37,000	35,750
Non-executive Director	32,750	31,500

Aggregate remuneration will rise during 2023 beyond the marginal increases in rates to be implemented on 1 April 2023 due to the temporary increase in the number of Directors during the year. This temporary increase will ensure smooth handovers between Jack Perry, Stuart Paterson and Kevin Troup. It is envisaged that following the Company's 2024 AGM the number of Directors will be reduced from six to five.

Directors' Share interests (audited)	Number of shares held 2022	2021
Jack Perry	86,903	81,606
Julia Bond	99,609	91,428
Stuart Paterson	95,000	95,000
Martin Breuer	114,300	90,000
Pui Kel Yuen	7,700	7,700

There has been no change to Directors' shareholdings since the year end. No Director held any interests in the issued share capital of the Company other than as stated above. Directors are encouraged but not required to hold shares in the Company.

### Relative importance of spending on pay

The table below shows the actual expenditure in relation to Board remuneration, other expenses, Shareholder dividends and 31 December Net Asset Value:

	2022 £'000s	2021 £'000s	%
Aggregate Board remuneration (excluding taxable benefits)	180	181	-0.6%
Management and other expenses	3,863	4,513	-14.4%
Dividends paid to Shareholders	31,688	28,804	+10.0%
Net Asset Value	347,627	525,435	-33.8%

### Company performance

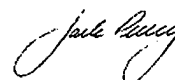
The Board is responsible for the Company's investment strategy and performance. The management of the investment portfolio is delegated to the Manager. An explanation of the performance of the Company is given in the Chairman's Statement and Investment Manager's Review. A comparison of the Company's performance over the required ten-year period is set out in the following graph. This shows the total return (assuming all dividends are re-invested) to ordinary Shareholders against the Benchmark.

### Share Price Total Return Performance

(In sterling terms, rebased to 100 at 31 December 2012)

† European Assets Trust NV prior to migration on 16 March 2019.

™ With effect from 1 April 2021 the benchmark changed from EMIX Smaller European Companies (ex UK) Index (gross) to EMIX Smaller European Companies (ex UK) Index (net).



On behalf of the Board

**Jack Perry**

Chairman

28 March 2023

# Report of the Audit and Risk Committee

All of the Directors are members of the Committee. The Committee is chaired by Stuart Paterson.

The duties of the committee include reviewing the annual and interim Accounts, the system of internal controls, and the terms of appointment and remuneration of the auditor, PricewaterhouseCoopers LLP ('PwC'), including its independence and objectivity. It is also the forum through which the auditor reports to the Board of Directors. The terms of reference of the Audit and Risk Committee can be found on the website at [www.europeanassets.co.uk](http://www.europeanassets.co.uk).

The committee meets at least twice-yearly including at least one meeting with the auditor.

The Audit and Risk Committee met on three occasions during the year and the attendance of each of the members is set out on page 38. In the course of its duties, the committee had direct access to the auditor and senior members of the Manager's fund management and investment trust teams. Amongst other things, the Audit and Risk Committee considered and reviewed the following matters and reported thereon to the Board:

- The annual results announcements, and annual and half-yearly reports and accounts;
- The accounting policies of the Company;
- The principal risks faced by the Company and the effectiveness of the Company's internal control environment;
- The effectiveness of the audit process and related non-audit services and the independence and objectivity of the auditor, their re-appointment, remuneration and terms of engagement;
- The policy on the engagement of the auditor to supply non-audit services;
- The implications of proposed new accounting standards and regulatory changes;
- The receipt of an internal controls report from the Manager; and
- Whether the Annual Report and Accounts is fair, balanced and understandable.

## Significant issues considered by the Audit and Risk Committee for the year ended 31 December 2022

Matter	Action
<b>Existence and valuation of investments</b>	
The Company's portfolio is invested in listed securities. Errors in valuation could have a material impact on the Company's net asset value per share.	<p>The Board reviews the full portfolio valuation at each Board meeting and receives quarterly reports from the AIF Manager and the Depositary.</p> <p>The Board receives at each Board meeting analysis from the investment managers reviewing the liquidity of the portfolio.</p>
<b>Appropriateness of viability assessment</b>	
The Company discloses a viability assessment and statement in accordance with the requirements of the UK Corporate Governance Code.	Mindful of the guidance issued by the Financial Reporting Council, when assessing viability, the Company's cash position, availability of the loan facility and the operational resilience of its service providers were considered. Further analysis of the five-year viability assessment and the application of the going concern principle are detailed on page 32 and note 23 to the financial statements.
<b>Effectiveness of internal control environment</b>	
On an annual basis the Audit and Risk Committee considers the Company's internal control environment.	<p>The Audit and Risk Committee meeting considered the control reports and written assurances received from third party service providers with regard to the operation of internal controls during the year ended 31 December 2022.</p> <p>During the year, the Chair of the Committee met representatives of the Manager to discuss the control reports of a third party service provider.</p>

As part of its review of the scope and results of the audit, during the period the Audit and Risk Committee considered and approved the auditor's plan for the audit of the financial statements for the year ended 31 December 2022. At the conclusion of the audit the auditor did not highlight any issues to the Audit and Risk Committee which would cause it to qualify its audit report nor did it highlight any fundamental internal control weaknesses. The auditor issued an unqualified audit report which is included on pages 47 to 52.

Following the implementation of the Statutory Audit Amending Disclosure, with effect from 1 January 2017, the auditor is unable to provide tax compliance and advisory services to the Company.

As part of the review of auditor independence and effectiveness, PwC has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating the auditor, the Audit and Risk Committee has taken into consideration the standing, skills and experience of the firm and the audit team. In addition, the Audit and Risk Committee reviewed the FRC's Audit and Quality review for PwC and discussed the findings with the Company's audit partner to determine if any of the indicators in the report had specific relevance to this year's audit of the Company. The Audit and Risk Committee discussed the audit plan and PwC's final report and concluded that an effective external audit had been conducted. PwC Netherlands was appointed auditors to the Company's predecessor, European Assets Trust NV, on 24 April 2014. PricewaterhouseCoopers LLP UK was appointed auditors to the Company on 17 May 2019. The Company is not required to tender for auditors at least until after the audit in respect of the year ended 31 December 2029. It is the current intention of the Audit and Risk Committee not to tender for the audit until then. The Audit and Risk Committee, from direct observation and enquiry of the Manager, remains satisfied that the auditor continues to provide effective independent challenge in carrying out its responsibilities. Following professional guidelines, the audit partner rotates after five years. The current audit partner, Jennifer March, is in the second year of her appointment. On the basis of this assessment, the Audit and Risk Committee has recommended the continuing appointment of the auditor to the Board. The auditor's performance will continue to be reviewed annually taking into account all relevant guidance and best practice.

### Internal Control

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed.

The process is based principally on the Manager's existing risk-based approach to internal control whereby a matrix is created for the Company that include the key functions and activities carried out by the Manager and other service providers, the risks associated with these functions and activities and the controls employed to minimise these risks. These functions and activities include the financial reporting process. A residual risk rating is then applied. The matrix is regularly updated and reviewed by the committee and the Board.

A formal annual review of these procedures is carried out by the Audit and Risk Committee and includes consideration of internal control reports issued by the Manager and other service providers. Such review procedures have been in place throughout the financial year and up to the date of approval of the annual report, and the Board is satisfied with their effectiveness. These procedures are designed to manage rather than eliminate risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss. At each Board meeting the Board monitors the investment performance of the Company in comparison to its stated objective, its peer group and its Benchmark index. The Board also reviews the Company's activities since the previous Board meeting to ensure that the Manager adheres to the agreed investment policy and approved investment guidelines. The Depositary reports to the Board and carries out daily independent checks on cost and investment transactions, annually verifies asset ownership and has strict liability for the loss of Company's financial assets in respect of which it has safe keeping duties.

The Board has reviewed the need for an internal audit function. It has decided that the systems and procedures employed by the Manager, including its own internal audit function, provide sufficient assurance that a sound system of internal control, which safeguards Shareholders' investments and the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary but this decision will be kept under review.

PP *Stuart Paterson*

**Stuart Paterson**  
Chairman of the Audit and Risk Committee  
28 March 2023

# Report of the Management Engagement Committee

## Duties of the Committee

The duties of the Management Engagement Committee are to review the terms and conditions of the appointment and the appropriateness of the continuing appointment of:

- The Investment Manager,
- Other significant service providers including the Depositary and Custodian, corporate broker, administrator and legal counsel.

The Management Engagement Committee also reviews the fees paid during the year to all of the Company's service providers.

## Composition of the Committee

The Management Engagement Committee is appointed by the Board from amongst the Board Directors of the Company. A quorum is two members.

The Chairman of the Management Engagement Committee is the Chairman of the Board, Jack Perry.

Currently all members of the Board have been appointed to the Management Engagement Committee.

The terms of reference of the Management Engagement Committee are available on the the Company's website [www.europeanassets.co.uk](http://www.europeanassets.co.uk).

## The Manager's Evaluation Process

The Committee meets annually. Its most recent meeting was March 2023 which included a formal evaluation of the performance and remuneration of the Manager. At each Board meeting throughout the year the performance of the Company is reviewed. The Board receives detailed papers, reports and reviews from the Manager on performance at each regular Board meeting. These papers include details of portfolio attribution, asset and sector allocation, gearing and risk. These enable the Board to assess the success or failure of the Manager's performance against the Key Performance Indicators determined by the Board.

## The Manager's Re-appointment

During March 2023, the Management Engagement Committee of the Board reviewed the appropriateness of the Manager's continuing appointment. In carrying out the review, consideration was given to past investment performance and the ability of the Manager to produce satisfactory investment performance in the future. Consideration was also given to the standard of other

services provided which include company secretarial, accounting, administration and marketing. The length of notice of the investment management contract and fees payable to the Manager were also reviewed.

Following this review, it is the Board's opinion that the continuing appointment of the Manager on the terms agreed is in the interests of Shareholders as a whole.

## The Manager's Fee

An important responsibility of the Committee is the review of the Manager's fee. Details of the investment management fee are included in Note 5 to the Accounts. At each annual Committee meeting the Directors compare the basis of the remuneration of the Manager against that of the peer group.

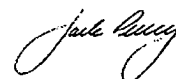
## Service providers

At each meeting of the Committee the Directors consider the remuneration, quality of service provided and value for money received from each of the key service providers of the Company.

## Reporting Procedures

The Secretary circulates the minutes of meetings of the Management Engagement Committee to all members of the Board at the next Board meeting following a Management Engagement Committee Meeting.

A member of the Management Engagement Committee attends the Annual General Meeting and is available to answer questions on the Management Engagement Committee's activities and responsibilities.



**Jack Perry**  
Chairman

28 March 2023

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# Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Report and Accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK-adopted International Accounting Standards.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

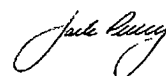
## Directors' confirmations

Each of the Directors, whose names and functions are listed on page 30 confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- 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; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.



On behalf of the Board  
**Jack Perry**  
Chairman

28 March 2023

# Independent Auditors' Report to the members of European Assets Trust PLC

## Report on the audit of the financial statements

### Opinion

In our opinion, European Assets Trust PLC's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Accounts (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2022; the Statement of Comprehensive Income, the Statement of changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided. We have provided no non-audit services to the Company in the period under audit.

## Our audit approach

### Overview

#### Audit scope

- The Company is a standalone Investment Trust Company and engages Columbia Threadneedle Investment Business Limited (the "Investment Manager") to manage its assets.
- We conducted our audit of the financial statements using information from State Street Bank & Trust Company (the "Administrator") to whom the Investment Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.
- We obtained an understanding of the control environment in place at both the Investment Manager and the Administrator and adopted a fully substantive testing approach using reports obtained from the Administrator.

#### Key audit matters

- Valuation and existence of investments
- Accuracy, occurrence and completeness of Income from investments

#### Materiality

- Overall materiality: £3,476,270 (2021: £5,254,345) based on 1% of Net Asset Value (NAV).
- Performance materiality: £2,607,203 (2021: £3,940,759).

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

#### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation and existence of investments</b></p> <p>Refer to the Report of the Audit and Risk Committee (page 43), Significant accounting policies (page 58) and Notes to the Financial Statements (page 64).</p> <p>The investment portfolio at the year-end comprised listed equity investments valued at £340.7m.</p> <p>We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Statement of Financial Position in the Annual Report.</p>	<p>Our audit work on the valuation and existence of investments included the following:</p> <ul style="list-style-type: none"> <li>• We tested the valuation of 100% of the listed equity investments by agreeing the prices used in the valuation to independent third-party sources; and,</li> <li>• We tested the existence of the investment portfolio by agreeing investment holdings to an independent custodian confirmation.</li> </ul> <p>Based on the results of the audit procedures performed we are satisfied that the equity investments exist and that the valuation of the equity investments is not materially misstated.</p>
<p><b>Accuracy, occurrence and completeness of income from investments</b></p> <p>Refer to the Report of the Audit and Risk Committee (page 43), Accounting policies (page 59) and Notes to the Financial Statements (page 60).</p> <p>ISAs (UK) presume there is a risk of fraud in income recognition because of the pressure management may feel to achieve a certain objective. In this instance, we consider that 'income' refers to all the Company's income streams, both revenue and capital (including gains and losses on investments). We focused on the accuracy, completeness and occurrence of dividend income recognition as incomplete or inaccurate income could have a material impact on the Company's net asset value and dividend cover.</p> <p>We also focused on the accounting policy for income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the "AIC SORP") as incorrect application could indicate a misstatement in income recognition.</p> <p>In addition, the Directors are required to exercise judgement 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>We responded to this risk by performing the following audit procedures:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the processes and controls around income recognition and classification of special dividends by reviewing the internal controls reports of the Administrator; and,</li> <li>• We assessed the appropriateness of the classification of special dividends as revenue or capital by the Directors with reference to publicly available information.</li> </ul> <p>For all dividends recorded by the Company, we performed our audit procedures through the use of our proprietary testing tool Halo:</p> <ul style="list-style-type: none"> <li>• We tested the accuracy of dividend income by agreeing the dividend rates from investments to independent market data;</li> <li>• We tested occurrence by testing that all dividends recorded in the year had been declared in the market by investment holdings;</li> <li>• We also tested the occurrence of realised gains by agreeing a sample of gains recorded to supporting evidence such as bank statements and broker statements; and,</li> <li>• To test for completeness, we investigated that the appropriate dividends had been received in the year by reference to independent data of dividends declared for all investment holdings held within the year.</li> </ul> <p>We have no matters to report as a result of this testing.</p>

## How we tailored the audit scope

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

The Company's accounting is delegated to the Administrator who maintains the Company's accounting records and who has implemented controls over those accounting records. We obtained our audit evidence from substantive tests. However, as part of our risk assessment, we understood and assessed the internal controls in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and analysing the relevant controls reports issued by the independent service auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

## The impact of climate risk on our audit

In conducting our audit, we made enquiries of the Directors and the Investment Manager to understand the extent of the potential impact of climate change risk on the Company's financial statements. The Directors and Investment Manager concluded that the impact on the measurement and disclosures within the financial statements is not material because the majority of the Company's investment portfolio is made up of level 1 quoted securities which are valued at fair value based on market prices. We found this to be consistent with our understanding of the Company's investment activities. We also considered the consistency of the climate change disclosures included in the Strategic Report and Investment Manager Report with the financial statements and our knowledge from our audit.

## Materiality

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

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

<b>Overall Company materiality</b>	£3,476,270 (2021: £5,254,345)
<b>How we determined it</b>	1% of Net Asset Value (NAV)
<b>Rationale for benchmark applied</b>	We have applied this benchmark, which is generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £2,607,203 (2021: £3,940,759) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £173,814 (2021: £262,717) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the Directors' updated risk assessment and considering whether it addressed relevant threats, including Russia's invasion of Ukraine, inflationary pressures and the wider macroeconomic uncertainty;
- evaluating the Directors' assessment of potential operational impacts, considering their consistency with other available information and our understanding of the business and assessed the potential impact on the financial statements;
- reviewing the Directors' assessment of the Company's financial position in the context of its ability to meet future expected operating expenses, their assessment of liquidity as well as their review of the operational resilience of the Company and oversight of key third-party service providers; and,
- assessing the implication of significant reductions in net asset value as a result of a severe but plausible downside in the market's performance on the ongoing ability of the Company to operate.

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 of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

In relation to the Directors' 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.

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## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## Directors' Remuneration

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

## Corporate Governance Statement

The Listing Rules require us to review the Directors' statements 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. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

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 and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Company was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Company and its environment obtained in the course of the audit.

In addition, 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 and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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.

### Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of section 1158 of the Corporate Tax Act 2010, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue (investment income and capital gains) or to increase net asset value, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- holding discussions with the Manager and the Audit and Risk Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- understanding the controls implemented by the Manager and the Administrator designed to prevent and detect irregularities;
- reviewing relevant meeting minutes, including those of the Audit and Risk Committee;
- assessing the Company's compliance with the requirements of section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;
- identifying and testing journal entries, in particular year-end journal entries posted by the Administrator during the preparation of the financial statements; and,
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

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

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## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

### Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 17 May 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31 December 2019 to 31 December 2022.

## Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.



**Jennifer March** (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

28 March 2023

# Statement of Comprehensive Income

Revenue Notes	Capital Notes	For the year ended 31 December 2022			Year ended 31 December 2021		
		Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
13	(Losses)/gains on investments held at fair value through profit or loss	-	(177,223)	(177,223)	-	102,892	102,892
	Foreign exchange (losses)/gains	(25)	(86)	(111)	8	469	477
3	Income	8,527	-	8,527	8,157	-	8,157
5	5 Management fees	(610)	(2,438)	(3,048)	(739)	(2,954)	(3,693)
6	6 Other expenses	(958)	(37)	(995)	(995)	(7)	(1,002)
	<b>Profit/(loss) before finance costs and taxation</b>	<b>6,934</b>	<b>(179,784)</b>	<b>(172,850)</b>	<b>6,431</b>	<b>100,400</b>	<b>106,831</b>
8	8 Finance costs	(51)	(206)	(257)	(50)	(201)	(251)
	<b>Profit/(loss) before taxation</b>	<b>6,883</b>	<b>(179,990)</b>	<b>(173,107)</b>	<b>6,381</b>	<b>100,199</b>	<b>106,580</b>
9	9 Taxation	(944)	-	(944)	(937)	-	(937)
	<b>Profit/(loss) for the year and total comprehensive income</b>	<b>5,939</b>	<b>(179,990)</b>	<b>(174,051)</b>	<b>5,444</b>	<b>100,199</b>	<b>105,643</b>
11	11 <b>Earnings per share (basic and diluted) – pence</b>	<b>1.65</b>	<b>(49.99)</b>	<b>(48.34)</b>	<b>1.51</b>	<b>27.83</b>	<b>29.34</b>

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with UK-adopted International Accounting Standards. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

The accompanying notes on pages 57 to 72 are an integral part of these financial statements.

# Statement of changes in Equity

Notes						
	Share capital £'000s	Distributable reserve* £'000s	Capital reserve* £'000s	Revenue reserve* £'000s	Cumulative translation reserve £'000s	Total Shareholders' funds £'000s
<b>For the year ended 31 December 2022</b>						
	37,506	322,694	188,661	-	(23,426)	525,435
10	-	(25,749)	-	(5,939)	-	(31,688)
	-	-	(179,990)	5,939	-	(174,051)
	-	-	-	-	27,931	27,931
	<b>37,506</b>	<b>296,945</b>	<b>8,671</b>	<b>-</b>	<b>4,505</b>	<b>347,627</b>
	Share capital £'000s	Distributable reserve* £'000s	Capital reserve* £'000s	Revenue reserve* £'000s	Cumulative translation reserve £'000s	Total Shareholders' funds £'000s
<b>For the year ended 31 December 2021</b>						
	37,506	346,054	88,462	-	5,982	478,004
10	-	(23,360)	-	(5,444)	-	(28,804)
	-	-	100,199	5,444	-	105,643
	-	-	-	-	(29,408)	(29,408)
	<b>37,506</b>	<b>322,694</b>	<b>188,661</b>	<b>-</b>	<b>(23,426)</b>	<b>525,435</b>

\*These reserves include balances that are distributable by way of dividend, as disclosed in note 2(k).

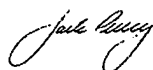
The accompanying notes on pages 57 to 72 are an integral part of these financial statements.

# Statement of Financial Position

Notes		31 December 2022 £'000s	31 December 2021 £'000s
	<b>Non-current assets</b>		
12	Investments at fair value through profit or loss	340,717	539,756
	<b>Current assets</b>		
13	Other receivables	3,247	2,680
	Cash and cash equivalents	13,317	8,342
	<b>Total current assets</b>	<b>16,564</b>	<b>11,022</b>
	<b>Current liabilities</b>		
14	Other payables	(782)	(155)
15	Bank loan	(8,872)	(25,188)
	<b>Total current liabilities</b>	<b>(9,654)</b>	<b>(25,343)</b>
	<b>Net current assets/(liabilities)</b>	<b>6,910</b>	<b>(14,321)</b>
	<b>Net assets</b>	<b>347,627</b>	<b>525,435</b>
	<b>Capital and reserves</b>		
16	Share capital	37,506	37,506
17	Distributable reserve	296,945	322,694
18	Capital reserve	8,671	188,661
18	Revenue reserve	-	-
	Cumulative translation reserve	4,505	(23,426)
	<b>Total Shareholders' funds</b>	<b>347,627</b>	<b>525,435</b>
19	<b>Net Asset Value per ordinary share - pence</b>	<b>96.54</b>	<b>145.93</b>

The notes on pages 57 to 72 form an integral part of the financial statements.

Approved by the Board and authorised for issue on 28 March 2023 and signed on its behalf of by:



Jack Perry, Chairman.

The accompanying notes on pages 57 to 72 are an integral part of these financial statements.

# Statement of Cash Flows

Notes	For the year ended 31 December	2022	2021
		£'000s	£'000s
20	Cash flows from operating activities before interest and dividends received and interest paid	(3,353)	(4,660)
	Dividends received	6,990	6,842
	Interest received	34	-
	Interest paid	(257)	(271)
	<b>Cash flows from operating activities</b>	<b>3,414</b>	<b>1,911</b>
	<b>Investing activities</b>		
	Purchase of investments	(107,060)	(107,481)
	Sale of investments	156,430	139,299
	Other capital expenses	(37)	(7)
	<b>Cash flows from investing activities</b>	<b>49,333</b>	<b>31,811</b>
	<b>Cash flows before financing activities</b>	<b>52,747</b>	<b>33,722</b>
	<b>Financing activities</b>		
10	Equity dividends paid	(31,688)	(28,804)
15,21	Drawdown of bank loan	-	8,538
15,21	Repayment of bank loan	(17,173)	(8,500)
	<b>Cash flows from financing activities</b>	<b>(48,861)</b>	<b>(28,766)</b>
	<b>Net movement in cash and cash equivalents</b>	<b>3,886</b>	<b>4,956</b>
	Cash and cash equivalents at the beginning of the year	8,342	2,950
	Effect of movement in foreign exchange	(111)	477
	Translation adjustment	1,200	(41)
	<b>Cash and cash equivalents at the end of the year</b>	<b>13,317</b>	<b>8,342</b>
<b>Represented by:</b>			
	Cash at bank	9	13
	Short term deposits	13,308	8,329
		<b>13,317</b>	<b>8,342</b>

The accompanying notes on pages 57 to 72 are an integral part of these financial statements.

# Notes to the Financial Statements

## 1. General Information

European Assets Trust PLC is an investment company incorporated in England (UK) with a premium listing on the London Stock Exchange. The Company registration number is 11672363 and the registered office is Exchange House, Primrose Street, London, EC2A 2NY, England.

The Company has conducted its affairs so as to qualify as an investment trust under the provisions of Section 1158 of the Corporation Tax Act 2010. Approval of the Company under Section 1158 has been received. The Company intends to conduct its affairs so as to enable it to continue to comply with the requirements. Such approval exempts the Company from UK Corporation Tax on gains realised in the relevant year on its portfolio of fixed asset investments.

The accounting policies have been applied consistently throughout the year ended 31 December 2022, with no significant changes, as set out in note 2 below.

## 2. Significant accounting policies

### a) Basis of Preparation

The financial statements of the Company have been prepared on a going concern basis under the historical cost convention modified to include fixed asset investments and derivatives at fair value, and in accordance with the Companies Act 2006, UK-adopted International Accounting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, and to the extent that they have been adopted by the European Union.

Where presentational guidance set out in the 2018 amended Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") is consistent with the requirements of UK-adopted International Accounting Standards, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

All of the Company's operations are of a continuing nature. The functional currency of the Company is the euro and presentational currency is the pound sterling as the Board believe this will provide clarity of the Company's financial statements for its Shareholders, the overwhelming majority of whom are located in the United Kingdom.

The Board confirms that no other significant accounting judgements or estimates have been applied to the financial statements and therefore there is no significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

As referred to in the Directors' Report on page 32 and note 23 to the accounts the Directors believe that it is appropriate for the accounts to be prepared on a going concern basis.

### b) New and revised Accounting Standards

The Company adopted the following amended standard and interpretation during the year however the Board do not expect the change to have an effect on the Company's accounts:

- IFRS 16 Amendments - COVID-19 Related Rent Concessions (effective 1 April 2021) the May 2020 amendments, which introduced an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19, have been extended to lease payments originally due on or before 30 June 2022;

Other new standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") but not effective for the current financial year and not early adopted by the Company include:

- IAS 1 Amendments - Classification of Liabilities as Current or Non-Current (effective date amended to 1 January 2023). The amendments specify the requirements for classifying liabilities as current or non-current. The amendments are not expected to have a material impact on the Group's financial statements.
- IAS 1 Amendments - Disclosure of Accounting Policies (effective 1 January 2023). The amendments require an entity to disclose its material accounting policy information instead of its significant accounting policies. The amendments contain guidance and examples on identifying material accounting policy information. The amendments are not expected to have a material impact on the Group's financial statements.
- IAS 8 Amendments - Definition of Accounting Estimates (effective 1 January 2023) The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments also clarify the interaction between an accounting policy and an accounting estimate. The amendments are not expected to have a material impact on the Group's financial statements.
- IAS 12 Amendments - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023). The amendments require entities with certain assets to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- IFRS 17 Amendments - Insurance contracts (effective 1 January 2023). The IASB has issued this new standard as a replacement for IFRS 4, which currently allows a range of accounting treatments for insurance contracts. IFRS 17 will fundamentally change the accounting for insurance and investment contracts by all entities with discretionary participation features.

The IASB have issued a number of other new standards, amendments and interpretations that are not yet effective for the current financial year end and are not expected to be relevant or material to the Company's operations. They are therefore not expected to have an impact on the Company's financial statements when they become effective.

## **2. Significant accounting policies (continued)**

### **c) Presentation of Statement of Comprehensive Income**

In order to reflect better the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. The net revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in section 1158 Corporation Tax Act 2010.

### **d) Financial instruments**

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are measured at fair value.

Investments are classified as fair value through profit or loss. As the entity's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, listed equities and fixed income securities are designated as fair value through profit or loss on initial recognition.

Financial assets designated as at fair value through profit or loss are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Unlisted investments are valued at fair value by the Directors on the basis of all information available to them at the time of valuation.

Accounting standards recognise a hierarchy of fair value measurements for financial instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The classification of financial instruments depends on the lowest significant applicable input, as follows:

**Level 1** – quoted (unadjusted) prices in active markets for identical assets or liabilities.

**Level 2** – other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

**Level 3** – techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

### **e) Receivables**

Receivables do not carry any interest and are short term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Receivables are recognised initially at fair value based on contractual settlement amounts and subsequently measured at amortised cost using the effective interest rate method. The Company records any impairment allowance on financial assets at amortised cost using the expected credit loss model under the simplified method.

### **f) Cash and cash equivalents**

Cash at banks and short term deposits that are held to maturity are carried at cost. Cash and cash equivalents consist of cash at bank and short term deposits with an original maturity of three months or less.

### **g) Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Financial liabilities and equity instruments are initially recorded at the proceeds received, net of issue costs.

### **h) Bank borrowings**

Interest-bearing bank loans and overdrafts are recorded at the proceeds received. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### **i) Derivative financial instruments**

Derivatives are classified as fair value through profit or loss – held for trading and are held at fair value and changes in fair value are recognised in the capital return column of the Statement of Comprehensive Income.

### **j) Payables**

Payables are not interest bearing and are recognised initially at fair value based on contractual settlement amounts and subsequently measured at amortised cost using the effective interest rate method.

### **k) Share capital and reserves**

(i) Share capital is held at the year end as Sterling denominated ordinary Shares.

(ii) Distributable reserve – Created by cancellation of the Share Premium Account. This reserve is available as distributable profits and may be used for the payment of dividends and the repurchase of Company shares.

(iii) Capital reserves

Capital reserves – arising on investments sold and distributable by way of a dividend.

The following are accounted for in this reserve:

- gains and losses on the disposal of fixed asset investments and derivatives;
- settled foreign exchange differences of a capital nature; and
- other capital charges and credits charged or credited to this account in accordance with the above policies.

## 2. Significant accounting policies (continued)

### k) Share capital and reserves (continued)

Capital reserves – arising on investments held and are non-distributable

The following are accounted for in this reserve:

- increases and decreases in the valuation of fixed asset investments and derivatives held at the year-end; and
- unsettled foreign exchange valuation differences of a capital nature.

#### (iv) Revenue Reserve

The revenue reserve represents accumulated revenue profits retained by the Company that have not currently been distributed to Shareholders as a dividend.

#### (v) Cumulative translation reserve

This reserve comprises all foreign exchange differences arising from the translation from the Company's functional currency, the euro, to the reporting currency, pound sterling. The figure represents:

- the differences arising from translation of transactions made by the Company at the exchange rate on the date of execution;
- the translation of assets and liabilities held at the Statement of Financial Position ("SOF") date at the exchange rate prevailing on that date; and,
- the translation of brought forward assets translated at the exchange rate prevailing on the SOFP date and brought forward capital and reserves at prior period exchange rates.

### l) Income

Dividends are recognised as income on the date that the related investments are marked ex-dividend.

Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established.

Special dividends of a non-capital nature are recognised through the revenue column of the Statement of Comprehensive Income. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, an amount equal to the cash dividend is recognised as income.

Interest income from fixed interest securities is accrued on a time apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Other investment income and deposit interest are included on an accruals basis.

### m) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

### n) Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Investment trusts which have approval under section 1158 Corporation Tax Act 2010 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### o) Expenses and interest

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue column of the Statement of Comprehensive Income except those incurred in connection with the maintenance or enhancement of the value of the Company's investment portfolio taking account of the expected long term split of returns as follows:

- Management fees and finance costs have been allocated 20 per cent to revenue and 80 per cent to capital.

## 2. Significant accounting policies (continued)

### p) Foreign currency

Foreign currency monetary assets and liabilities are expressed in Sterling at rates of exchange ruling at the Balance Sheet date. Purchases and sales of investment securities, dividend income, interest income and expenses are translated at the rates of exchange prevailing at the respective dates of such transactions. Exchange profits and losses on fixed assets investments are included within the changes in fair value in the Capital Reserve. Exchange profits and losses on other currency balances are separately credited or charged to the Capital Reserve except where they relate to revenue items.

Rates of exchange as at 30 December (with regard to Sterling)	2022	2021
Danish Krone	8.38163	8.85844
Norwegian Krone	11.84977	11.94395
Euro	1.12710	1.19104
Swedish Krona	12.53362	12.26299
Swiss Franc	1.11292	1.23411

### q) Use of judgements, estimates and assumptions

The presentation of the financial statements in accordance with accounting standards require the Board to make judgements, estimates and assumptions that effect the accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on perceived risks, historical experience, expectations of plausible future events and other factors. Actual results may differ from these estimates.

The areas requiring the most significant judgement and estimation in preparation of the financial statements are: recognising and classifying unusual or special dividends received as either revenue or capital in nature; and setting the level of dividends paid and proposed in satisfaction of both the Company's long-term objective and its obligations to adhere to Investment Trust status rules under Section 1158 of the Corporation Tax Act 2010.

Dividends received which appear to be unusual in size or circumstance are assessed on a case-by-case basis, based on interpretation of the investee companies' relevant statements, to determine their allocation in accordance with the SORP to either the Revenue Account or Capital Reserves. Dividends which have clearly arisen out of the investee company's reconstruction or reorganisation are usually considered to be capital in nature and allocated to Capital Reserves. Investee company dividends which appear to be paid in excess of current year profits may nevertheless still be considered to be wholly revenue in nature unless evidence suggests otherwise. The value of dividends received in the year treated as capital in nature is disclosed in note 18 to the Accounts. The value of special dividends receivable in any period cannot be foreseen as such dividends are declared and paid by investee companies without prior reference to the Company.

## 3. Income

	2022 £'000s	2021 £'000s
Dividend income <sup>(1)</sup> from listed investments in:		
- Austria	46	-
- Belgium	76	-
- Denmark	416	414
- Finland	-	-
- France	495	607
- Germany	622	1,023
- Iceland	84	108
- Ireland	492	180
- Italy	755	850
- Netherlands	378	171
- Norway	1,673	2,477
- Portugal	159	213
- Spain	896	187
- Sweden	1,883	1,566
- Switzerland	518	361
<b>Total dividend income</b>	<b>8,493</b>	<b>8,157</b>
Other income:		
Interest on cash and cash equivalents	34	-
	<b>34</b>	<b>-</b>
<b>Total income</b>	<b>8,527</b>	<b>8,157</b>

<sup>(1)</sup> Dividend income includes special dividends classified as revenue in nature in accordance with note 2(q) of £218,000 (2021: £147,000).

#### 4. Operating Segments

The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the view that the Company is engaged in a single segment of business, of investing in equity and that therefore the Company has only a single operating segment. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Company.

#### 5. Management fee

	Revenue £'000	Capital £'000	2022 Total £'000	Revenue £'000	Capital £'000	2021 Total £'000
<b>Management fee</b>	<b>610</b>	<b>2,438</b>	<b>3,048</b>	739	2,954	3,693

The Manager receives a fee equal to 0.75 per cent per annum of the value of funds under management up to the value of €400 million. Funds under management is calculated as the value of total assets less current liabilities (excluding borrowings) at the end of the preceding quarter. Where the value of funds under management exceeds €400 million, the applicable rate over such excess value is 0.6 per cent per annum. Detailed regulatory disclosures including those on the AIF Manager's remuneration policy and costs are available on Company's website or from Columbia Threadneedle Investments on request.

#### 6. Other expenses

	Revenue £'000s	Capital £'000s	2022 Total £'000s	Revenue £'000s	Capital £'000s	2021 Total £'000s
Depository and custody fees	120	-	120	163	-	163
Remuneration of Directors <sup>(1)</sup>	180	-	180	181	-	181
Travel expenses	8	-	8	2	-	2
Indemnity insurance costs	15	-	15	11	-	11
Independent auditors' remuneration – for audit services <sup>(2)</sup>	56	-	56	46	-	46
Legal, secretarial and accounting	129	-	129	119	-	119
Broker fees	36	-	36	36	-	36
Marketing, advertising and printing costs	200	-	200	242	-	242
Other expenses <sup>(3)</sup>	214	37	251	195	7	202
<b>Total other expenses</b>	<b>958</b>	<b>37</b>	<b>995</b>	<b>995</b>	<b>7</b>	<b>1,002</b>

All expenses are stated gross of irrecoverable VAT, where applicable.

<sup>(1)</sup> See the Directors' Remuneration Report on page 41.

<sup>(2)</sup> Total Auditors' remuneration for audit services, exclusive of VAT amounts to £42,900 (2021: £39,000). There were no non-audit services paid to PwC in the year (2021: none).

<sup>(3)</sup> Other expenses include Registrar fees, listing fees, Loan non-utilisation fees and subscriptions.

#### 7. Directors fees

The emoluments of the Chairman, the highest paid Director, were at the rate of £46,250 per annum (2021: £44,500).

Other Directors' emoluments amounted to £31,500 (2021: £30,300) each per annum, with the chairman of the Audit and Risk Committee receiving an additional £5,250 (2021: £5,100) per annum and the Senior Independent Director an additional £4,250 (2021: £4,100). Full details are provided in the Directors' Remuneration Report on pages 41 and 42.

## 8. Finance costs

	Revenue £'000s	Capital £'000s	2022 Total £'000s	Revenue £'000s	Capital £'000s	2021 Total £'000s
Loan interest	35	141	176	41	164	205
Bank interest charges	16	65	81	9	37	46
<b>Total finance cost</b>	<b>51</b>	<b>206</b>	<b>257</b>	<b>50</b>	<b>201</b>	<b>251</b>

Finance costs have been allocated 80% to capital reserve in accordance with the Company's accounting policies.

## 9. Taxation

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

	Revenue £'000s	Capital £'000s	2022 Total £'000s	Revenue £'000s	Capital £'000s	2021 Total £'000s
Overseas taxation	944	-	944	937	-	937
<b>Total taxation (see note 9(b))</b>	<b>944</b>	<b>-</b>	<b>944</b>	<b>937</b>	<b>-</b>	<b>937</b>

The tax assessed for the year is lower (2021: lower) than the standard rate of corporation tax in the UK.

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

	Revenue £'000s	Capital £'000s	2022 Total £'000s	Revenue £'000s	Capital £'000s	2021 Total £'000s
<b>Net profit/(loss) on ordinary activities before taxation</b>	<b>6,883</b>	<b>(179,990)</b>	<b>(173,107)</b>	<b>6,381</b>	<b>100,199</b>	<b>106,580</b>
Net Return on ordinary activities multiplied by the standard rate of corporation tax of 19% (2021: 19%)	1,308	(34,197)	(32,889)	1,212	19,038	20,250
Effects of:						
Dividends*	(1,614)	-	(1,614)	(1,549)	-	(1,549)
Capital returns*	-	33,672	33,672	-	(19,550)	(19,550)
Currency losses/(gains)	5	16	21	(2)	(89)	(91)
Expenses not utilised in the year	301	509	810	339	601	940
Overseas taxation not relieved	944	-	944	937	-	937
<b>Total taxation (see note 9(a))</b>	<b>944</b>	<b>-</b>	<b>944</b>	<b>937</b>	<b>-</b>	<b>937</b>

\*These items are not subject to corporation tax in an investment trust company.

No deferred tax asset in respect of unutilised expenses at 31 December 2022 (2021: same) has been recognised as it is uncertain that there will be taxable profits from which the future reversal of a deferred tax asset could be deducted.

## 10. Dividends

The level of dividend paid by the Company each year is determined in accordance with the Company's distribution policy. The Company has stated that, barring unforeseen circumstances, it will pay an annual dividend equivalent to 6 per cent of the net asset value at the end of the preceding year. The dividend is funded from a combination of current year net profits and the Distributable Reserve.

The Company distributed the following interim dividends to Shareholders:

	Register date	Payment date	2022 £'000s	2021 £'000s
First of four interims for the year ended 31 December 2021 of 2.000 pence per share	15 Jan 21	29 Jan 21	-	7,201
Second of four interims for the year ended 31 December 2021 of 2.000 pence per share	09 Apr 21	30 Apr 21	-	7,201
Third of four interims for the year ended 31 December 2021 of 2.000 pence per share	09 Jul 21	30 Jul 21	-	7,201
Fourth of four interims for the year ended 31 December 2021 of 2.000 pence per share	08 Oct 21	29 Oct 21	-	7,201
First of four interims for the year ended 31 December 2022 of 2.200 pence per share	14 Jan 22	31 Jan 22	7,922	-
Second of four interims for the year ended 31 December 2022 of 2.200 pence per share	08 Apr 22	29 Apr 22	7,922	-
Third of four interims for the year ended 31 December 2022 of 2.200 pence per share	08 Jul 22	29 Jul 22	7,922	-
Fourth of four interims for the year ended 31 December 2022 of 2.200 pence per share	07 Oct 22	31 Oct 22	7,922	-
			<b>31,688</b>	<b>28,804</b>
				<b>2022 £'000s</b>
Net revenue return attributable to Shareholders				<b>5,939</b>
First of four interims for the year ended 31 December 2022 of 2.200 pence per share				<b>(7,922)</b>
Second of four interims for the year ended 31 December 2022 of 2.200 pence per share				<b>(7,922)</b>
Third of four interims for the year ended 31 December 2022 of 2.200 pence per share				<b>(7,922)</b>
Fourth of four interims for the year ended 31 December 2022 of 2.200 pence per share				<b>(7,922)</b>
Shortfall paid from distributable reserves				<b>(25,749)</b>

## 11. Earnings per share

The net revenue results is equivalent to profit before tax per the Statement of Comprehensive Income. The return per share figure is based on the net profit or loss for the period or year and on the weighted average number of shares in issue during the period or year. The return per share amount can be further analysed between revenue and capital, as follows:

	Revenue £'000s	Capital £'000s	2022 Total £'000s	Revenue £'000s	Capital £'000s	2021 Total £'000s
Net return attributable to equity Shareholders	<b>5,939</b>	<b>(179,990)</b>	<b>(174,051)</b>	5,444	100,199	105,643
Return per share – pence	<b>1.65</b>	<b>(49.99)</b>	<b>(48.34)</b>	1.51	27.83	29.34

Both the revenue and capital returns per share are based on a weighted average of 360,069,279 ordinary shares in issue during the year (2021: 360,069,279).

## 12. Investments at fair value through profit or loss

	2022 Level 1 Total £'000s	2021 Level 1 Total £'000s
Cost brought forward	368,841	361,025
Unrealised gains brought forward	170,915	138,921
<b>Fair value of investments at 1 January</b>	<b>539,756</b>	<b>499,946</b>
Movements in the period:		
Purchases at cost	107,060	107,287
Sales proceeds	(156,430)	(139,299)
(Losses)/gains on investments sold in the year	(12,729)	39,828
Movement in unrealised gains on investments held at the year end	(164,494)	63,064
Translation adjustment	27,554	(31,070)
<b>Fair value of investments at 31 December</b>	<b>340,717</b>	<b>539,756</b>
Cost at 31 December	306,742	368,841
Unrealised gains carried forward	33,975	170,915
<b>Fair value of investments at 31 December</b>	<b>340,717</b>	<b>539,756</b>

	2022 £'000s	2021 £'000s
(Losses)/gains on investments sold in the year	(12,729)	39,828
Movement in unrealised gains on investments held at the year end	(164,494)	63,064
<b>Total (losses)/gains on investments</b>	<b>(177,223)</b>	<b>102,892</b>

All assets held by the Company were classified as Level 1 in nature as described in note 2(d) and includes investments and derivatives listed on any recognised stock exchange.

Investment sold during the year have been revalued over time since their original purchase, and until they were sold any unrealised gains/losses was included in the fair value of the investments.

Included within the capital reserve movement for the year are £278,000 (2021: £94,000) of transaction costs including stamp duty on purchases of investments and £74,000 (2021: £69,000) of transaction costs on sales of investments.

	2022 £'000s	2021 £'000s
<b>Listed equities designated at fair value through profit or loss on initial recognition, incorporated in:</b>		
- Austria	6,621	-
- Belgium	10,223	9,370
- Denmark	22,095	34,453
- France	24,354	39,435
- Germany	40,446	126,050
- Iceland	-	9,357
- Ireland	25,147	7,567
- Italy	19,306	40,758
- Netherlands	27,737	36,259
- Norway	47,267	67,723
- Portugal	-	8,649
- Spain	22,480	21,018
- Sweden	53,256	85,024
- Switzerland	41,785	54,093
	<b>340,717</b>	<b>539,756</b>

The investment portfolio is set out on pages 17 and 18.

**13. Other receivables**

	2022 £'000s	2021 £'000s
Prepayments	30	55
Overseas taxation recoverable	3,217	2,625
	<b>3,247</b>	<b>2,680</b>

**14. Other payables**

	2022 £'000s	2021 £'000s
Management fee	602	-
Loan Interest	7	8
Accruals	173	147
	<b>782</b>	<b>155</b>

**15. Borrowings**

In March 2022 the Company entered into at €45 million multi-currency revolving loan facility with The Bank of Nova Scotia, (London Branch), expiring March 2023. The covenants for this facility have all been met during the period. The interest rate on amounts drawn down and commitment fees payable on undrawn amounts are based on commercial terms agreed with The Bank of Nova Scotia.

Following the year end, the Company has agreed to renew its loan facility with The Bank of Nova Scotia, London Branch.

As at 31 December 2022 the Company had drawn down €10 million (£8.9 million) of the loan facility.

**16. Share capital**

	Number	2022 issued, allotted and fully paid £'000s	Number	2021 issued, allotted and fully paid £'000s
<b>Ordinary shares of £0.10 each</b>				
Balance brought forward and carried forward at 31 December	360,069,279	37,506	360,069,279	37,506

**17. Distributable reserve**

	2022 £'000s	2021 £'000s
Balance brought forward	322,694	346,054
Dividends paid from distributable reserve	(25,749)	(23,360)
<b>Balance carried forward</b>	<b>296,945</b>	<b>322,694</b>

## 18. Capital & Revenue Reserves

	Capital reserve - realised £'000s	Capital reserve - unrealised £'000s	Capital reserve - Total £'000s	Revenue reserve £'000s
Movements in the year:				
Losses on investments sold in year	(12,729)	-	(12,729)	-
Losses on investments held at year end	-	(164,494)	(164,494)	-
Foreign exchange losses	(74)	(12)	(86)	-
Management fee (see note 5)	(2,438)	-	(2,438)	-
Finance costs (see note 8)	(206)	-	(206)	-
Other capital charges (see note 6)	(37)	-	(37)	-
Revenue return	-	-	-	5,939
<b>Return attributable to shareholders</b>	<b>(15,484)</b>	<b>(164,506)</b>	<b>(179,990)</b>	<b>5,939</b>
Dividends paid in year (see note 10)	-	-	-	(5,939)
Balance at 31 December 2021	(7,818)	196,479	188,661	-
<b>Balance at 31 December 2022</b>	<b>(23,302)</b>	<b>31,973</b>	<b>8,671</b>	<b>-</b>

There were no special dividends recognised as capital during the year (2021: £nil).

## 19. Net asset value per ordinary share

The net asset value per share is based on the net assets attributable to the ordinary shares in issue as at 31 December:

	2022	2021
Net asset value per share - pence	96.54	145.93
Net assets attributable at the year end - (£'000s)	347,627	525,435
Number of ordinary shares in issue at the year end	360,069,279	360,069,279

## 20. Reconciliation of total return before taxation to net cash flows from operating activities

	2022 £'000s	2021 £'000s
<b>Net return on ordinary activities before taxation</b>	<b>(173,107)</b>	<b>106,580</b>
Adjustments for non-cash flow items, dividend income and interest expense:		
Losses/(gains) on investments	177,223	(102,892)
Foreign exchange movements	111	(477)
Non-operating expenses of a capital nature	37	7
Dividend income receivable	(8,493)	(8,157)
Interest receivable	(34)	-
Interest payable	257	251
Decrease / (increase) in other debtors	25	(26)
Increase in other creditors	628	54
	<b>169,754</b>	<b>(111,240)</b>
<b>Net cash outflows from operating activities before interest and dividends received and interest paid</b>	<b>(3,353)</b>	<b>(4,660)</b>

## 21. Reconciliation of liabilities arising from financing activities

	Bank loans £'000s	2022 Total £'000s	Bank loans £'000s	2021 Total £'000s
<b>Financial liabilities brought forward</b>	<b>25,188</b>	<b>25,188</b>	26,853	26,853
<b>Cash-flows:</b>				
Drawdown of bank loans	-	-	8,538	8,538
Repayment of bank loans	(17,173)	(17,173)	(8,500)	(8,500)
<b>Non-cash:</b>				
Translation adjustment	857	857	(1,703)	(1,703)
<b>Financial liabilities carried forward</b>	<b>8,872</b>	<b>8,872</b>	25,188	25,188

## 22. Financial risk management

The Company is an investment company, listed on the London Stock Exchange, and conducts its affairs so as to qualify in the United Kingdom ("UK") as an investment trust under the provisions of section 1158 of the CTA. In so qualifying, the Company is exempted in the UK from corporation tax on capital gains on its portfolio of investments.

The Company invests in equities in order to achieve its investment objective, which is to achieve growth of capital through investment in quoted small and medium-sized companies in Europe, excluding the United Kingdom. In pursuing this objective, the Company is exposed to financial risks which could result in a reduction in the Company's value of the net assets and profits available for distribution by way of dividend. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit.

The Company's use of leverage and borrowings can increase its exposure to these risks, which in turn can also increase the potential returns it can achieve. The Company has specific limits on these instruments to manage the overall potential exposure. These limits include the ability to borrow against the assets of the Company up to a level of 20 per cent of assets as permitted under the Articles of Association.

The Board, together with the Manager, is responsible for the Company's risk management, as set out in detail in the Strategic Report and Directors' Report. The Directors' policies and processes for managing the financial risks are set out in (a), (b) and (c) on the following pages.

The accounting policies which govern the reported Balance Sheet carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 2. The policies are in compliance with UK-adopted International accounting standards and best practice. The Company does not make use of hedge accounting rules.

### (a) Market risks

The fair value of equity and other financial securities including derivatives held in the Company's portfolio fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues, including the market perception of future risks. The Board sets policies for managing these risks within the Company's objective and meets regularly to review full, timely and relevant information on investment performance and financial results. The Manager minimises the price risk by making a balanced selection of companies with regard to distribution across the European countries, sectors and individual stocks, assessing exposure to market risks when making each investment decision and monitors the ongoing market risk within the portfolio.

## 22. Financial risk management (continued)

### (a) Market risks (continued)

Details of the geographical exposure of investments can be found in note 12, the table below is a summary of the sector concentrations with the portfolio:

	2022 %	2021 %
Company's securities portfolio:		
Industrials	21.7	22.5
Financials	17.2	19.0
Consumer Discretionary	13.6	15.4
Technology	12.7	19.3
Consumer Staples	11.8	8.9
Health Care	11.4	9.7
Basic Materials	7.3	4.1
Energy	3.0	-
Real Estate	1.3	1.1
	<b>100.0</b>	<b>100.0</b>

Based on the portfolio of investments held at each Balance Sheet date, and assuming other factors, including the management charge, remain constant, an increase or decrease in the fair value of the portfolio in euro terms by 20% would have had the following approximate effects on the net capital return attributable to Shareholders and on the NAV per share:

	Increase in value £'000s	2022 Decrease in value £'000s	Increase in value £'000s	2021 Decrease in value £'000s
Capital return	68,143	(68,143)	107,951	(107,951)
NAV per share – pence	18.93	(18.93)	29.98	(29.98)

### (b) Currency risk

The Company invests in securities denominated in European currencies other than the euro which gives rise to currency risk. It is not the Company's policy to hedge this risk. The table below is a summary of the Company currency exposure:

	2022 £'000s	2021 £'000s
Danish Krone	22,095	34,453
Norwegian Krone	47,266	67,723
Pound Sterling	2,194	12,709
Swedish Krona	53,257	85,024
Swiss Franc	39,591	41,384
<b>Total</b>	<b>164,403</b>	<b>241,293</b>

## 22. Financial risk management (continued)

### (b) Currency risk (continued)

Based on the financial assets and liabilities held and the exchange rates applying at the Balance Sheet date, a weakening or strengthening of the euro against other currencies by 10% would have the following approximate effect on returns attributable to Shareholders and on the NAV per share.

	2022 £'000s	2021 £'000s
<b>Weakening of euro by 10% against other currencies</b>		
Net revenue return attributable to Shareholders	485	472
Net capital return attributable to Shareholders	18,349	26,887
<b>Net total return attributable to Shareholders</b>	<b>18,834</b>	<b>27,359</b>
NAV per share – pence	5.23	7.60
<b>Strengthening of euro by 10% against other currencies</b>		
Net revenue return attributable to Shareholders	(397)	(386)
Net capital return attributable to Shareholders	(15,013)	(21,998)
<b>Net total return attributable to Shareholders</b>	<b>(15,410)</b>	<b>(22,384)</b>
NAV per share – pence	(4.28)	(6.22)

These effects are representative of the Company's activities although the level of the Company's exposure to the other currencies fluctuates in accordance with the investment and risk management processes. As this analysis only reflects financial assets and liabilities, it does not include the impact of currency exposures on the management fee.

As discussed in Note 2(a) the functional currency of the Company is the euro. Income earned in foreign currencies is therefore converted to the euro on receipt. The Board regularly monitors the effects of movements in foreign exchange rates on net revenues, interest earned on deposits and paid on gearing.

During the year, the Company entered in to Forward Currency Contracts for the purpose of hedging the euro to pound sterling exposure as a result of the differing functional currency and dividend payment currency. These forward currency contracts resulted in a net loss of £403,000 (2021: gain of £763,000).

The fair values of the Company's assets and liabilities at 31 December by currency are shown below:

	Short-term debtors £'000s	Cash and cash equivalents £'000s	Short-term creditors - other £'000s	Short-term creditors - loans £'000s	Net monetary assets/(liabilities) £'000s	Investments £'000s	Net exposure £'000s
<b>2022</b>							
Euro	2,336	13,317	(609)	(8,872)	6,172	176,314	182,486
Danish Krone	309	-	-	-	309	22,095	22,404
Norwegian Krone	357	-	-	-	357	47,266	47,623
Pound Sterling	30	-	(173)	-	(143)	2,194	2,051
Swedish Krona	23	-	-	-	23	53,257	53,280
Swiss Franc	192	-	-	-	192	39,591	39,783
<b>Total</b>	<b>3,247</b>	<b>13,317</b>	<b>(782)</b>	<b>(8,872)</b>	<b>6,910</b>	<b>340,717</b>	<b>347,627</b>

## 22. Financial risk management (continued)

### (b) Currency risk (continued)

	Short-term debtors £'000s	Cash and cash equivalents £'000s	Short-term creditors - other £'000s	Short-term creditors - loans £'000s	Net monetary (liabilities)/assets £'000s	Investments £'000s	Net exposure £'000s
<b>2021</b>							
Euro	1,840	8,342	(8)	(25,188)	(15,014)	298,463	283,449
Danish Krone	242	-	-	-	242	34,453	34,695
Norwegian Krone	355	-	-	-	355	67,723	68,078
Pound Sterling	56	-	(147)	-	(91)	12,709	12,618
Swedish Krona	24	-	-	-	24	85,024	85,048
Swiss Franc	163	-	-	-	163	41,384	41,547
<b>Total</b>	<b>2,680</b>	<b>8,342</b>	<b>(155)</b>	<b>(25,188)</b>	<b>(14,321)</b>	<b>539,756</b>	<b>525,435</b>

### (c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in interest rates. When the Company retains cash balances, the cash is held with approved banks, usually on overnight deposit. In addition, the Company has a loan facility which is exposed to floating interest rate risk. Interest received or paid on cash balances and bank overdrafts is at market rates and is monitored and reviewed by the investment manager and the board.

The exposure of the financial assets and liabilities to interest rate movements at 31 December was:

	Within one year £'000s	More than one year £'000s	2022 Total £'000s	Within one year £'000s	More than one year £'000s	2021 Total £'000s
Exposure to floating rates:						
Cash and cash equivalents	13,317	-	13,317	8,342	-	8,342
Loans	(8,872)	-	(8,872)	(25,188)	-	(25,188)
<b>Net exposure</b>	<b>4,445</b>	<b>-</b>	<b>4,445</b>	<b>(16,846)</b>	<b>-</b>	<b>(16,846)</b>

The Company had no exposure to fixed interest rates at the year end.

Exposures vary throughout the year as a consequence of changes in the composition of the net assets of the Company arising out of the investment and risk management processes.

Based on the financial assets and liabilities held and the interest rates ruling at each balance sheet date, an increase or decrease in interest rates of 2% would have the following approximate effects on the Income Statement revenue and capital returns after tax and on the NAV per share:

	Increase in rate £'000s	2022 Decrease in rate £'000s	Increase in rate £'000s	2021 Decrease in rate £'000s
Revenue return	18	(18)	33	67
Capital return	53	(71)	(447)	270
<b>Total return</b>	<b>71</b>	<b>(89)</b>	<b>(414)</b>	<b>337</b>
NAV per share – pence	<b>0.020</b>	<b>(0.025)</b>	<b>(0.115)</b>	<b>0.094</b>

## 22. Financial risk management (continued)

### (d) Credit risk and counterparty exposure

Credit and Counterparty risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the financial stability and credit quality of the brokers used, which are monitored on an ongoing basis by the investment manager. The investment manager also monitors the quality of service provided by the brokers used to further mitigate this risk.

The Company has an ongoing contract with its custodian for the provision of custody services. The contract is reviewed regularly. Details of securities held in custody on behalf of the Company are received and reconciled monthly. The Company's Depositary, JP Morgan Europe Limited, has regulatory responsibilities relating to segregation and safe keeping of the Company's financial assets, amongst other duties, as set out in the Directors' Report. The Board has direct access to the Depositary and receives regular reports from it via the Manager.

To the extent that the Manager carries out management and administrative duties (or causes similar duties to be carried out by third parties) on the Company's behalf, the Company is exposed to counterparty risk. The Board assesses this risk through regular meetings with the management of Columbia Threadneedle Investments (including the Fund Manager) and with its Risk Management function. In reaching its conclusions, the Board also reviews Columbia Threadneedle Investments annual Audit and Assurance Faculty Report.

In summary, compared to the amounts held at the balance sheet date of £nil, the maximum exposure to credit risk during the year was £nil (2021: Balance Sheet: £nil; maximum exposure: £nil).

None of the Company's financial liabilities is past its due date or impaired.

### (e) Liquidity risk

The Company is required to raise funds to meet commitments associated with financial instruments and share buybacks. These funds may be raised either through the realisation of assets or through increased borrowing. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given: the number of quoted investments held in the Company's portfolio (100% at 31 December 2022 and 100% at 31 December 2021); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio (see pages 17 to 18); and the existence of an ongoing loan and overdraft facility agreement. All investments are realisable within one year and therefore no detailed maturity analysis has been included. Cash balances are held with approved banks, usually on overnight deposit. The Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting.

The Company has a €45 million unsecured revolving floating rate credit facility available until March 2023. Following the year end the Company has agreed to renew its facility with The Bank of Nova Scotia, London Branch on favourable terms.

### (f) Fair values of financial assets and liabilities

IFRS 13 requires disclosures relating to fair value measurements using a three-level hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

The assets and liabilities of the Company are, in the opinion of the Directors, reflected in the Balance Sheet at fair value, or at a reasonable approximation thereof. Borrowings under loan and overdraft facilities do not have a value materially different from their capital repayment amount.

### (g) Capital risk management

The objective of the Company is stated as being to achieve growth of capital through investment in quoted small and medium-sized companies in Europe, excluding the United Kingdom. In pursuing this objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern. It must therefore maintain an optimal capital structure through varying market conditions. This involves the ability to: issue and buy back share capital within limits set by the Shareholders in general meeting; borrow monies in the short and long term; and pay dividends to Shareholders out of current year revenue earnings as well as out of other distributable reserves.

Changes to ordinary share capital are set out in note 16, dividend payments in note 10 and details of loans in note 15.

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### 23. Going Concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. They have also considered the Company's objective, strategy and policy, the current cash position of the Company, the availability of the loan facility and compliance with its covenants and the operational resilience of the Company and its service providers.

At present the global economy is suffering considerable disruption due to the effects of the COVID-19 pandemic, inflationary concerns and the war in Ukraine and the Directors have given serious consideration to the consequences for this Company. The Company has a €45 million multi-currency loan facility with The Bank of Nova Scotia, London Branch which will expire on 14 March 2023. As at 31 December 2022 €10.0 million was drawdown. Following the year end the Company has agreed to renew its facility with The Bank of Nova Scotia, London Branch on favourable terms.

The Company has a number of banking covenants and at present the Company's financial position does not suggest that any of these are close to being breached. The primary risk is that there is a very substantial decrease in the net asset value of the Company in the short to medium term.

Financial modelling has been undertaken to consider compliance with these covenants in several scenarios including the outcome of the 2008 Global Financial Crisis. These extreme but plausible scenarios indicate that the loan covenants would not be breached. In addition, the Directors have considered the remedial measures that are open to the Company if such a covenant breach appears possible. As at 27 March 2023 the latest practicable date before the publication of this report, borrowings amounted to €20.0 million. This is comparison to a Net Asset Value of €404.0 million. In accordance with its investment policy the Company is invested mainly in readily realisable listed securities. These can be realised if necessary, to repay the loan facility and fund the cash requirements for future dividend payments.

The Company operates within a robust regulatory environment. The Company retains title to all assets held by the Custodian. Cash is held with banks approved and regularly reviewed by the Manager.

The Company's annual dividend, which is declared in sterling, is determined by reference to the year-end Net Asset Value. The Company manages any sterling/euro exchange rate exposure which may arise from the declaration of a sterling denominated dividend by entering into specific matched forward currency hedging contracts. As at 31 December 2022 the Company had a Distributable Reserve of £296.9 million.

The Company in common with many investment companies has, as a result of the pandemic, suffered a reduction in dividend income. The amount of this reduction, while significant, has not had a material impact on either Net Asset Value or distributable reserves.

As at 31 December 2022 the Company had net current assets of £6.9 million. The Company invests in listed securities which can be realised to fund any short term cash shortfall that may arise.

Based on this information the Directors believe that the Company has the ability to meet its financial obligations as they fall due for a period of at least twelve months from the date of approval of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

### 24. Related party transactions

The Directors of the Company are considered a related party. There are no transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on pages 41 to 42 and as set out in note 7 to the financial statements.

There are no outstanding balances with the Board at the year end.

The beneficial interests of the Directors in the Ordinary shares of the Company are disclosed on page 42.

### 25. Transactions with the Manager

Transactions between the Company and Columbia Threadneedle Investments are detailed in note 5 on management fees. The existence of an independent Board of Directors demonstrated that the Company is free to pursue its own financial and operating policies and therefore under the AIC SORP, the Manager is not considered a related party.

# Notice of Annual General Meeting of European Assets Trust PLC

## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant, or other independent professional adviser immediately. If you have sold or otherwise transferred all of your shares, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer, so they can pass these documents to the person who now holds the shares.

### European Assets Trust PLC

(incorporated in England and Wales under the Companies Act 2006 with registered number 11672363)

Notice is hereby given that the fifth Annual General Meeting of Shareholders of European Assets Trust PLC, the "Company", will be held on Thursday, 18 May 2023 at 3.00 pm at Exchange House, Primrose Street, London, EC2A 2NY, to transact the following business.

The resolutions to be proposed to the meeting are set out below. Resolutions 1 to 13 will be proposed as ordinary resolutions, meaning that for each of those resolutions to be passed, more than half the votes cast must be in favour. Resolutions 14 to 15 will be proposed as special resolutions, meaning that for either of those resolutions to be passed, at least three-quarters of the votes cast must be in favour.

### Ordinary Resolutions

1. To receive and adopt the Directors' report and accounts for the year ended 31 December 2022 together with the Independent Auditor's Report thereon (the "2022 Report and Accounts").
2. To approve the Company's dividend policy with regard to quarterly payments as set out on page 20 of the Report and Accounts 2022.
3. To approve the Directors' Remuneration Policy set out on page 41 of the 2022 Report and Accounts.
4. To approve the Directors' Remuneration Report for the year ended 31 December 2022 set out on pages 41 to 42 of the 2022 Report and Accounts.
5. To re-appoint PricewaterhouseCoopers LLP as auditor to European Assets Trust PLC, to hold office from the conclusion of the meeting until the conclusion of the next general meeting at which accounts are laid before the Company.
6. To authorise the Audit and Risk Committee to determine the remuneration of the auditor.
7. To re-elect Jack Perry to the Board of European Assets Trust PLC.
8. To re-elect Julia Bond to the Board of European Assets Trust PLC.
9. To re-elect Stuart Paterson to the Board of European Assets Trust PLC.
10. To re-elect Martin Breuer to the Board of European Assets Trust PLC.
11. To re-elect Pui Kei Yuen to the Board of European Assets Trust PLC.
12. That the amendments proposed to the Company's investment policy, as struck out and highlighted in bold and red below, be and are hereby approved with effect from 1 June 2023:  
The first paragraph under the heading "Investment Policy and Strategy" is amended as follows: "The investment policy seeks investments in quoted small and medium-sized companies in Europe, excluding the United Kingdom, defined as those with a market capitalisation below that of the largest company in the **benchmark index adopted by the Company from time to time, for this purpose currently the MSCI Europe Ex UK SMID Cap Index** EMIX-Smaller-European-Companies (ex UK) Index."
13. That, in accordance with section 551 of the Companies Act 2006 (the "Act"), the Directors be and they are hereby generally and unconditionally authorised to allot shares in the Company to an aggregate nominal amount of £3,600,692 equal to 10 per cent of the total issued share capital of the Company as at 27 March 2023. Unless previously varied, revoked or renewed, this authority shall expire at the conclusion of the Annual General Meeting of the Company in 2024, save that the Company may, before the expiry of any authority contained in this resolution, make an offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry and the Directors may allot shares or grant rights in pursuance of such offer or agreement as if the authority conferred hereby had not expired. This authority is in substitution for all previous unexercised authorities conferred on the Directors in accordance with section 551 of the Act.

### Special Resolutions

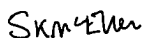
14. That, subject to the passing of resolution 13, the directors be empowered pursuant to section 570 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the general authority conferred on them by resolution 13 and/or to sell equity securities held as treasury shares for cash pursuant to section 727 of the Act 2006, in each case as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:

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- a) any such allotment and/or sale of equity securities in connection with an offer or issue by way of rights or other pre-emptive offer or issue, open for acceptance for a period fixed by the directors, to holders of shares (other than the Company) on the register on any record date fixed by the directors in proportion (as nearly as may be) to the respective number of shares deemed to be held by them, subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and
  - b) any such allotment and/or sale, otherwise than pursuant to sub-paragraph (a) above, of equity securities having an aggregate nominal value not exceeding the sum of £1,800,346 (being an amount equal to 5 per cent of the total issued share capital of the Company as at 27 March 2023, being the latest practicable date before the publication of this notice).

This authority shall expire, unless previously varied, revoked or renewed by the Company in general meeting, at the conclusion of the Annual General Meeting of the Company in 2024, except that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the directors may allot equity securities and/or sell equity securities held as treasury shares in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.

15. That the Company be and it is hereby authorised in accordance with section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 10 pence each in the capital of the Company ("Ordinary Shares") provided that:
- (i) the maximum number of Ordinary Shares authorised to be purchased shall be 10 per cent of the number of the Ordinary Shares in issue at the date on which this resolution is passed;
  - (ii) the minimum price (exclusive of expenses) which may be paid for an Ordinary Share shall be 10p;
  - (iii) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall not be more than the highest of:
    - (a) 5 per cent above the average of the middle market quotations of Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase;
    - (b) the price of the last independent trade on the trading venue where the purchase is carried out; and
    - (c) the highest current independent purchase bid for any of the Ordinary Shares on that venue.
  - (iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2024, save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares under such authority which will or might be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

By order of the Board



Columbia Threadneedle Investment Business Limited  
6th Floor  
Quartermile 4  
7a Nightingale Way  
Edinburgh EH3 9EG

28 March 2023

A member who is entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. Such a proxy need not also be a member of the Company.

A Form of Proxy for use by Shareholders is enclosed with this Report. Completion of the Form of Proxy will not prevent a shareholder from attending the meeting and voting in person.

# Notes

## to the Notice of Annual General Meeting

1. A member of the Company at the time set out in note 7 below is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by that member.

A member who wishes to attend the AGM in person should arrive at the venue for the AGM in good time to allow their attendance to be registered. As they may be asked to provide evidence of their identity prior to being admitted to the AGM, it is advisable for members to have some form of identification with them.

2. Any person holding 3% or more of the voting rights in the Company who appoints a person other than the Chairman as their proxy will need to ensure that both he and such person complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.
3. A Form of Proxy is provided with this notice for members. If a member wishes to appoint more than one proxy and so requires additional proxy forms, the member should contact Computershare Investor Services PLC on 0370 889 4094. To be valid, the Form of Proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be received by post or (during normal business hours only) by hand at the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, not less than 48 hours before the time of the holding of the meeting or any adjournment thereof. Amended instructions must also be received by the Company's Registrar by the deadline for receipt of Forms of Proxy.
4. Alternatively, members may register the appointment of a proxy for the meeting electronically, by accessing the website [www.eproxyappointment.com](http://www.eproxyappointment.com) where full instructions for the procedure are given. The Control Number, Shareholder Reference and PIN as printed on the Form of Proxy will be required in order to use the electronic proxy appointment system. This website is operated by Computershare Investor Services PLC. The proxy appointment and any power of attorney or other authority under which the proxy appointment is made must be received by Computershare Investor Services PLC not less than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used. If you want to appoint more than one proxy electronically please contact Computershare Investor Services PLC on 0370 889 4094.
5. Investors holding shares in the Company through the CT Investment Trust ISA, Lifetime ISA, Junior ISA, Child Trust Fund, General Investment Account and/or Junior Investment Account should ensure that forms of direction are returned to Computershare Investor Services PLC not later than 3.00 p.m. on 11 May 2023. Alternatively, voting directions can be submitted electronically at [www.eproxyappointment.com](http://www.eproxyappointment.com) by entering the Control Number, Shareholder Reference Number and PIN as printed on the form of direction. Voting directions must be submitted electronically no later than 3.00 p.m. on 11 May 2023.
6. Any person receiving a copy of this notice as a person nominated by a member to enjoy information rights under section 146 of the Act (a "Nominated Person") should note that the provisions in notes 3 and 4 concerning the appointment of a proxy or proxies to attend the meeting in place of a member do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting.  
  
If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.
7. Pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001 (as amended) and for the purposes of section 360B of the Act, the Company has specified that only those members registered on the register of members of the Company at 3 p.m. on 16 May 2023 (the "Specified Time") (or, if the meeting is adjourned to a time more than 48 hours after the Specified Time, by 3 p.m. on the day which is two days prior to the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. If the meeting is adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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8. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to [www.proxymity.io](http://www.proxymity.io). Your proxy must be lodged by 3.00 p.m. on 16 May 2023 in order to be considered valid.
- Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.
- CREST members who wish to appoint a proxy or proxies through 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. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number 3RA50) by the latest time(s) for receipt of proxy appointments specified in notes 3 and 4. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means
10. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)).
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).
12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
13. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
- (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 an auditor of the Company ceasing to hold office since the previous meeting at which annual Accounts and Reports were laid in accordance with section 437 of the Act.
14. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

15. Any member permitted to attend the meeting has the right to ask questions. The Company must cause to be answered any question relating to the business being dealt with at the meeting put by a member attending the meeting.

However, members should note that no answer need be given in the following circumstances:

- (a) if to do so would interfere unduly with the preparation of the meeting or would involve a disclosure of confidential information;
  - (b) if the answer has already been given on a website in the form of an answer to a question; or
  - (c) if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
16. As at 27 March 2023, being the latest practicable date before the publication of this notice, the Company's issued capital consisted of 360,069,279 ordinary shares of 10 pence each carrying one-vote each.
- Therefore, the total voting rights in the Company as at 27 March 2023 were 360,069,279. No shares are held in treasury.
17. This notice, together with information about the total number of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting as at 27 March 2023 being the latest practicable date prior to the printing of this notice and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice, will be available at [www.europeanassets.co.uk](http://www.europeanassets.co.uk).
18. Copies of the letters of appointment, which do not constitute contracts of employment, between the Company and its Directors; a copy of the Articles of Association of the Company; the register of Directors' holdings; and a deed poll relating to Directors' indemnities will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and Bank Holidays excluded) until the date of the meeting and also on the date and at the place of the meeting from 15 minutes prior to the commencement of the meeting to the conclusion thereof.
19. Under sections 338 and 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company:
- (a) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting, and/or
  - (b) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.
20. Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 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.

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# Other Financial Information (unaudited)

## Alternative Investment Fund Managers ('AIFM') Directive

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Columbia Threadneedle Investment Business Limited, is required to be made available to investors. Detailed regulatory disclosures including those on the AIFM's remuneration policy and costs are available on the Company's website or from Columbia Threadneedle Investments on request.

The Company's Articles of Association allow borrowings up to a maximum of 20% of its book value of the securities portfolio. The Company can only exceed this level of borrowing with the prior approval of shareholders at a general meeting.

The maximum gross leverage is therefore 125% (equivalent to 20% of the book value of its securities portfolio).

The Company's maximum and actual leverage levels authorised by the Financial Conduct Authority ("FCA") at 31 December 2022 are shown below:

	Gross method	Commitment method
Maximum limit	200%	200%
Actual	98%	102%

For the purposes of the AIFM Disclosure, 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 percentage of the Company's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

An Investor Disclosure Document is available on [www.europeanassets.co.uk](http://www.europeanassets.co.uk).

## Securities financing transactions ("SFTR")

The Company has not, in the year to 31 December 2022 (2021: same), participated in any: repurchase transactions; securities lending or borrowing; buy-sell back transactions; margin lending transactions; or total return swap transactions (collectively called SFT). As such, it has no disclosure to make in satisfaction of the UK regulations on transparency of SFT, issued in November 2015.

# Shareholder Information

## Dividends

Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandates may be obtained from Computershare Investor Services PLC, The Pavilions, Bridgewater Road, Bristol, BS99 6ZZ on request. Where dividends are paid to Shareholders' bank accounts, dividend tax vouchers are sent directly to Shareholders' registered addresses.

## Share Price

The Company's shares are listed on the London Stock Exchange. Prices are published daily in the Financial Times and other newspapers and is available on the Company's website [www.europeanassets.co.uk](http://www.europeanassets.co.uk).

## Change of Address

Communications with Shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to Computershare Investor Services PLC under the signature of the registered holder.

## Website

Additional information regarding the Company may be found at its website address which is: [www.europeanassets.co.uk](http://www.europeanassets.co.uk)

## Warning to Shareholders – Beware of Share Fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

If you receive unsolicited investment advice or requests:

- Check the Financial Services Register at [www.fca.org.uk](http://www.fca.org.uk) to see if the person or firm contacting you is authorised by the Financial Conduct Authority ("FCA")
- Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms to avoid at [www.fca.org.uk/scams](http://www.fca.org.uk/scams)
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme
- Think about getting independent financial and professional advice

If you are approached by fraudsters please tell the FCA by using the share fraud reporting form at [www.fca.org.uk/scams](http://www.fca.org.uk/scams) where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **0800 111 6768**. If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.



# Ten Year Record (unaudited)

31 December	Market price per share Pence	Market price per share Euro	Net asset value per share Pence	Net asset value per share Euro	Dividends declared per share† Euro	Dividends declared per share Pence	Euro Total Return		Sterling Total Return	
							Net asset value per share %	Benchmark %	Net asset value per share %	Benchmark %
2013* <sup>∞</sup>	96.4	1.159	96.86	1.164	0.05757†	n/a	34.4	34.0	37.8	37.5
2014* <sup>∞</sup>	98.7	1.272	98.05	1.263	0.07221†	n/a	15.3	5.2	7.6	(1.9)
2015* <sup>∞</sup>	112.7	1.529	112.01	1.520	0.07743†	n/a	26.9	23.5	20.5	17.2
2016* <sup>∞</sup>	102.2	1.197	112.19	1.314	0.09429†	n/a	(7.3)	6.4	7.4	23.3
2017* <sup>∞</sup>	130.8	1.474	129.85	1.463	0.08220†	n/a	18.0	18.6	22.6	23.3
2018* <sup>∞</sup>	93.0	1.036	102.73	1.140	0.09298†	n/a	(16.3)	(13.6)	(15.4)	(12.7)
2019	110.0	1.300	116.17	1.370	0.07136†	n/a	26.9	27.8	19.8	20.6
2020	120.3	1.343	132.75	1.480	n/a	7.020	15.4	12.6	21.9	18.9
2021	139.5	1.662	145.93	1.740	n/a	8.000	24.0	22.5	16.3	14.9
2022	91.6	1.032	96.54	1.088	n/a	8.800	(32.0)	(22.1)	(28.2)	(17.7)

\* European Assets Trust NV prior to the migration on 16 March 2019.

<sup>∞</sup> For comparison purposes, historical values have been adjusted for the ten for one stock split effective 3 May 2018.

† Dividends prior to 16 March 2019 are shown gross of Dutch withholding tax.

# Alternative Performance Measures

The Company uses the following Alternative Performance Measures ("APMs"). APMs do not have a standard meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. No new APMs have been identified or added since the prior year end.

**Discount or Premium** – the share price of an Investment Company is derived from buyers and sellers trading their shares on the stock market. This price is not identical to the net asset value ("NAV") per share of the Company. If the share price is lower than the NAV per share, the shares are trading at a discount. This usually indicates that there are more sellers of shares than buyers. The discount is shown as a percentage of the NAV per share. Shares trading at a price above NAV per share are deemed to be at a premium.

		31 December 2022 Pence	31 December 2021 Pence
Net Asset Value per share	(a)	96.54	145.93
Share price per share	(b)	91.60	139.50
<b>Discount (c = (b-a)/a)</b>	(c)	<b>(5.1%)</b>	<b>(4.4%)</b>

**Gearing** – this is the ratio of the borrowings of the Company to its net assets. Borrowings have a "prior charge" over the assets of a company, ranking before ordinary Shareholders in their entitlement to capital and/or income. They may include: preference shares; debentures; overdrafts and short and long-term loans from banks; and derivative contracts. If the Company has cash assets, these may be assumed either to net off against borrowings, giving a "net" or "effective" gearing percentage, or to be used to buy investments, giving a "gross" or "fully invested" gearing figure. Where cash assets exceed borrowings, the Company is described as having "net cash". The Company's maximum permitted level of gearing is set by the Board and is described within the Strategic Report and Directors' Report.

		31 December 2022 £'000	31 December 2021 £'000
Loan		8,872	25,188
Less Cash and cash equivalents		(13,317)	(8,342)
Total	(a)	(4,445)	16,846
Net Asset Value	(b)	347,627	525,435
<b>(Net cash)/gearing (c = a/b)</b>	(c)	<b>(1.3%)</b>	<b>3.2%</b>

**Ongoing Charges** – all operating costs expected to be incurred in future and that are payable by the Company, expressed as a proportion of the average net assets of the Company over the reporting year. The costs of buying and selling investments and derivatives are excluded, as are interest costs, taxation, non-recurring costs and the costs of buying back or issuing shares.

		31 December 2022 £'000	31 December 2021 £'000
<b>Ongoing charges calculation</b>			
Management fees		3,048	3,693
Other expenses		958	995
Less loan commitment/arrangement fees		-	(1)
Less ad-hoc non-recurring expenses		(120)	(93)
Total	(a)	3,886	4,594
Average net assets	(b)	377,305	515,419
<b>Ongoing charges (c = a/b)</b>	(c)	<b>1.03%</b>	<b>0.89%</b>

**Total Return** – the theoretical return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV in the period. The dividends are assumed to have been re-invested in the form of shares or net asset, respectively, on the date on which the shares were quoted ex-dividend.

	Net Asset Value	Share price
NAV/share price per share at 31 December 2021 (pence)	145.93	139.50
NAV/share price per share at 31 December 2022 (pence)	96.54	91.60
Change in the year	(33.8%)	(34.3%)
Impact of dividend reinvestments	5.6%	5.9%
<b>Total return for the year</b>	<b>(28.2%)</b>	<b>(28.4%)</b>

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# Glossary of Terms

**AIC** – Association of Investment Companies, is the UK trade body for closed-end investment companies ([www.theaic.co.uk](http://www.theaic.co.uk)).

**AIFMD** – Alternative Investment Fund Managers Directive requires that all investment vehicles (AIF – Alternative Investment Fund) must appoint a Depositary and an Alternative Investment Fund Manager. The Directors of the Company nevertheless, remains fully responsible for all aspects of the Company's strategy, operations and compliance with regulations.

**AIF Manager** – The AIF Manager, Columbia Threadneedle Investment Business Limited, is responsible for the provision of investment management services to the Company.

**Benchmark** – This is a measure against which the Company's performance is compared. The Company's benchmark is the EMIX Smaller European Companies (ex UK) Index.

**Custodian** – A specialised financial institution responsible for safeguarding worldwide the listed securities and certain cash assets of the Company, as well as the income arising therefrom, through provision of custodial, settlement and associated services. The Company's custodian is JP Morgan Chase Bank.

**Depositary** – Under AIFMD rules, the Company must appoint a depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. Under AIFMD regulations, the depositary has strict liability for the loss of the Company's financial assets in respect of which it has safekeeping duties. The depositary's oversight duties include, but are not limited to dividend payments and adherence to investment limits. The Company's depositary is JP Morgan Chase Bank.

**Dividend** – The income from an investment. The Company currently pays dividends to shareholders four times per year in January, April, July and October. The rate of the dividend is announced in January each year and is set at an annual yield of six per cent to the net asset value at the end of the preceding year. Since January 2020 the Board has declared the Company's annual dividend in Sterling. The previous practice was to declare in Euros.

**Gearing** – The Company has the ability to borrow to invest within pre-determined limits. This term is used to describe the level of borrowings that the Company has undertaken, and is stated as a percentage of total assets less current liabilities. The higher the level of borrowings, the higher the gearing ratio.

**Leverage** – As defined under AIFMD rules, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Leverage is broadly equivalent to Gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

**Market Capitalisation** – The stock market value of a company is determined by multiplying the number of shares in issue, excluding those shares held in treasury, by the market price of the shares.

**Net Assets (or Shareholders' Funds)** – This is calculated as the value of the investments and other assets of the Company, plus cash and debtors, less borrowings and any other creditors. It represents the underlying value of the Company at a point in time.

**Ordinary Shares** – Shareholders are entitled to their share of both income, in the form of dividends paid by the Company and any capital growth. The Company has only Ordinary Shares in issue.

**Share Price** – The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are quoted on the London Stock Exchange.

# **European Assets Trust PLC**

## **Report and Accounts 31 December 2022**

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