

EUROPEAN OPPORTUNITIES TRUST PLC

Annual Report and Accounts

for the year ended
31 May 2023

DEVON
Equity Management

THE COMPANY'S INVESTMENT OBJECTIVE

To invest in securities of European companies and in sectors or geographical areas which are considered by the Investment Manager to offer good prospects for capital growth, taking into account economic trends and business development.

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FINANCIAL HIGHLIGHTS

for the year ended 31 May 2023

**Net asset value total return¹
(with dividends added back)**

3.3%

This performance was behind that of the Company's Benchmark, the MSCI Europe index, total return in GBP, which increased by 6.9%.

**Share price total return¹
(with dividends added back)**

5.0%

Your Company's share price at 31 May 2023 was 781p.

Shareholders' funds

£863m

Gross assets, including drawn down bank debt of £75m, were £938m.

**Discount to net asset value
(as at 31 May 2023)¹**

(10.9)%

Your Company's share price traded at an average discount of (14.4)% during the year ended 31 May 2023. The European sector average, as measured by the Association of Investment Companies, was a discount of (8.3)% over the same period.

	31 May 2023	31 May 2022	% change
Net asset value per share (pence)	876.46	850.64	3.0
Net asset value total return (with dividends added back) ¹			3.3
Middle market share price (pence)	781.00	746.00	4.7
Share price total return (with dividends added back) ¹			5.0
MSCI Europe index, total return in GBP (Benchmark)			6.9
Dividend per share (pence) in respect of financial year	3.5 ³	2.5	40.0
Discount to net asset value at year end (%) ¹	(10.9)	(12.3)	
Ongoing charges ratio (%) ^{1,2}	1.02	1.02	

¹ Alternative Performance Measure. For definitions please refer to the Glossary of Terms and Alternative Performance Measures on page 91.

² Excluding finance costs (interest on the Company's loan facility).

³ Proposed dividend to be approved at the forthcoming AGM.

LONG-TERM TRACK RECORD

To 31 May 2023	3 years %	5 years %	10 years %	Since launch on 20.11.2000 %	Annualised return since launch %
Net asset value total return (with dividends added back) ¹	8.2	15.1	127.8	881.8	10.7
Share price total return (with dividends added back) ¹	4.8	4.0	100.9	733.9	9.9
MSCI Europe index, total return in GBP (Benchmark)	36.4	34.6	104.4	241.4	5.6

As at 31 May	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Shareholder funds (£m)	409.2	558.4	613.9	795.0	873.2	927.5	922.9	879.0	872.6	862.9
Market capitalisation (£m)	417.1	563.2	591.3	772.1	863.2	919.3	849.9	799.8	765.3	769.0
Net asset value per share (p)	451.4	546.3	550.2	712.5	778.9	822.2	817.7	824.3	850.6	876.5
Share price (p)	460.0	551.0	530.0	692.0	770.0	815.0	753.0	750.0	746.0	781.0
Premium/(discount) to NAV (%) ¹	1.9	0.9	(3.7)	(2.9)	(1.1)	(0.9)	(7.9)	(9.0)	(12.3)	(10.9)
Revenue (£'000)	4,021	4,517	7,445	8,765	6,257	6,252	4,658	2,339	2,737	3,385
Revenue return per share (p)	4.5	4.8	6.8	7.9	5.8	5.6	4.1	2.1	2.6	3.3
Dividend per share (p)	3.5	3.8	5.5	6.5	6.5	5.5	3.5	2.0	2.5	3.5
Ongoing charges ratio (%) ^{1,2}	1.09	0.96	1.08	0.99	0.91	0.90	0.99	0.99	1.02	1.02
Net gearing (%) ¹	11.6	6.0	14.0	7.7	4.9	6.3	-	7.0	9.4	8.9

Year on year performance to 31 May	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net asset value total return (with dividends added back) ¹ (%)	12.7	21.8	1.4	30.5	10.2	6.4	0.1	1.2	3.4	3.3
Share price total return (with dividends added back) ¹ (%)	13.0	20.5	(3.1)	31.6	11.3	6.7	(6.9)	0.1	(0.3)	5.0
MSCI Europe index, total return in GBP (Benchmark) (%)	12.0	5.2	(4.7)	32.3	2.3	0.6	(1.9)	24.6	2.4	6.9

¹ Alternative Performance Measure. For definitions please refer to the Glossary of Terms and Alternative Performance Measures on page 91.

² Excluding finance costs (interest on the Company's loan facility).

Source: MSCI & Devon Equity Management Limited. Past performance is no guide to the future.

CHAIR'S STATEMENT



I am pleased to present the Company's twenty third Annual Report and Accounts since launch, covering the twelve months ended 31 May 2023 and my first year as your Chair.

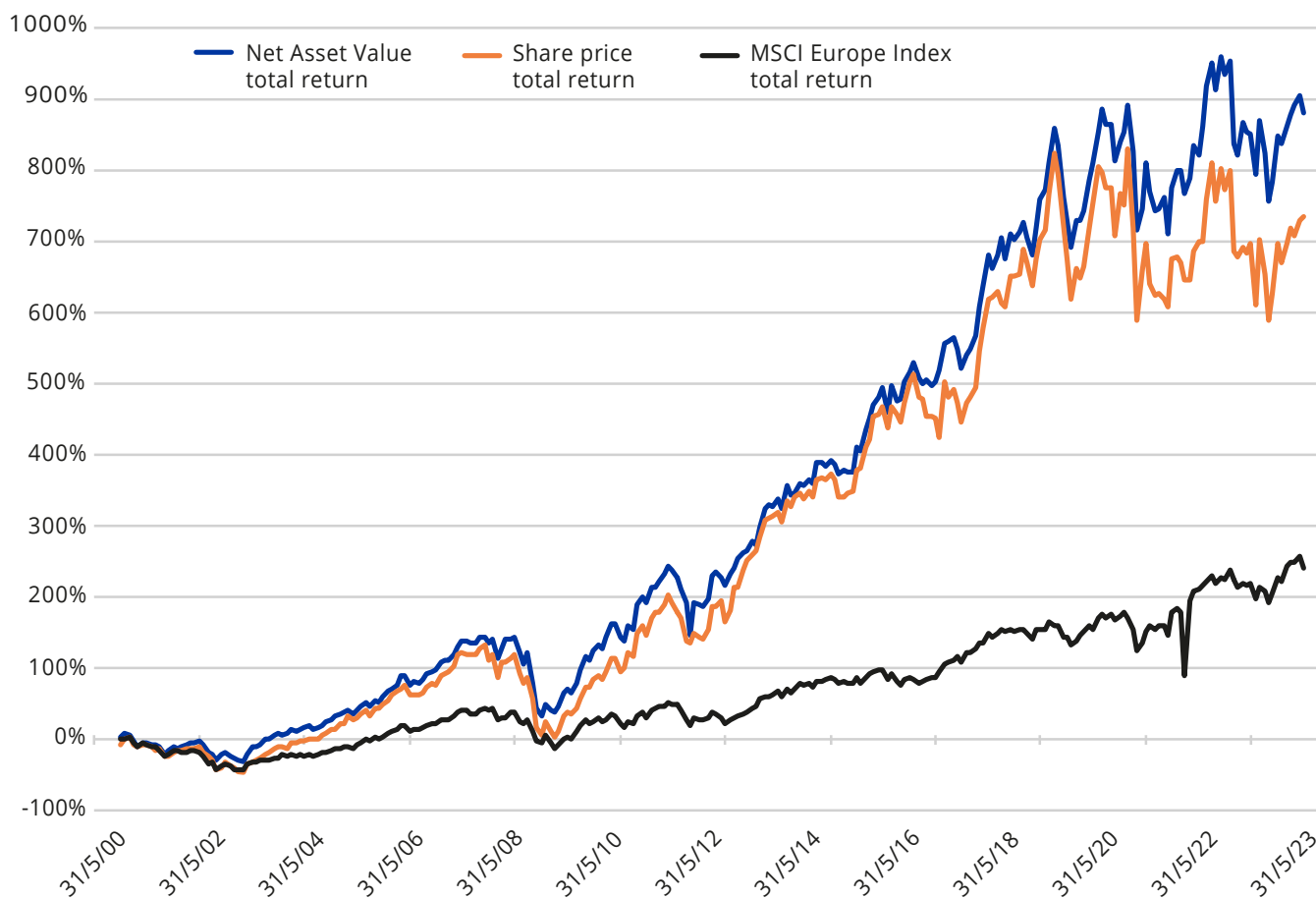
During the period under review the total return on the net asset value per share of the Company was 3.3% (with dividends added back). This compares with the total return of 6.9% from our Benchmark, the MSCI Europe index in GBP, and the total return on the middle market price of the Company's shares of 5.0% during the same period.

Since the year end the net asset value per share has increased by 2.0% to 894p (as at 31 August 2023), outperforming the Benchmark index which increased by 1.6% over that period. The market price of the Company's shares on 31 August was 800p, an increase of 2.4% since the financial year end.

Over the ten years to 31 August 2023 the total return on the net asset value per share was 130.5%, which compares with the total return on our Benchmark of 109.7%. The total return on the share price was 102.6%, reflecting, in part, the widening of the Company's discount in recent years.

The widening of the discount has partly reflected broader trends across the Investment trust sector but must also reflect the Company's underperformance of its Benchmark in recent years. Our Investment Manager's views on the contributors and detractors to recent performance are set out in the review on page 9. While performance in recent years has been challenging, the Board recognises that the Investment Manager's approach to investing the Company's portfolio is clearly differentiated both from the Benchmark composition and from the approaches of many competing, actively managed, funds. This high conviction approach is likely to result in shorter-term variance from the Benchmark, both in positive and negative directions. However, the Board continues to believe that the Company represents a distinctive alternative choice for investors which we believe is well positioned to deliver outperformance again in the future.

The Company's longer-term performance relative to the Benchmark since launch in November 2000 may be illustrated as follows:



CHAIR'S STATEMENT *continued*

Annual dividend

The Company's stated objective is to achieve shareholder returns primarily through capital growth and the Board does not impose a specific income objective on the Investment Manager in the management of our portfolio.

In order to qualify as an investment trust, the Company is not permitted to retain more than 15% of eligible investment income arising during any accounting period. Accordingly, the Board's policy is to propose a modest annual dividend and one at least sufficient to enable the Company to maintain its investment trust status.

Reflecting the substantial rise in net revenue for the year, augmented by a small drawdown on the Company's ample capital reserve, the Board is recommending a resolution to declare a final dividend of 3.5p per share (a 40% increase on the 2022 dividend of 2.5p) which will be proposed at the Annual General Meeting, payable on 27 November 2023 to shareholders on the Register of Members on 3 November 2023 (the Record Date). The ex-dividend date is 2 November 2023. The cost of this dividend exceeds the minimum that the Company is obliged to distribute under applicable law. A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to re-invest their dividends in the shares of the Company.

The declaration of the dividend as a final dividend will provide shareholders with an opportunity to express their approval on the matter, in line with corporate governance guidelines. In the unlikely event that shareholders vote against the resolution to pay a final dividend at the Annual General Meeting, the Directors would pay an equivalent interim dividend, as otherwise the Company would be likely to lose investment trust status, with damaging tax consequences for many of its shareholders.

Our Investment Manager

In July 2022, our Investment Manager took on responsibility for the regulatory role of Alternative Investment Fund Manager (AIFM) to the Company in place of Fundrock Partners Limited. This transition followed a detailed review of the Investment Manager's internal controls, compliance and risk environment by both the Board and our depositary, JP Morgan. The Investment Manager continues to build on the robust operational platform established in 2019 and, in terms of the investment team working for your Company, our portfolio manager, Alexander Darwall, is now supported and challenged by four other investment professionals in pursuit of the Company's strategy.

Revised management fee

The Board reviews the Company's management fee structure with the Manager each year to ensure that the terms of the fee are competitive and reasonable for shareholders. As part of this review, I am pleased to inform shareholders that the Board agreed a reduced management fee with the Investment Manager which was effective from 1 June 2023. Devon is now entitled to 0.80% per annum on net assets up to £1 billion; 0.70% per annum on any net assets over £1 billion up to £1.25 billion; and 0.60% per annum on net assets above £1.25 billion. Previously Devon was entitled to 0.90% per annum on net assets up to £1 billion and 0.80% in respect of any net assets above £1 billion.

Our approach to gearing

The Board believes that borrowing will enhance returns to investors over the long term. The Board monitors the level of gearing carefully and has defined a risk control framework for this purpose which is reviewed at each Board meeting. It should be stressed that all gearing is subject to the Investment Manager's confidence in identifying attractive investment opportunities, and to them remaining attractive. Acting within parameters determined by the Board the Investment Manager tends to increase gearing at times of perceived low valuations, while reducing it as markets recover. The net gearing level on the Company's investments was 8.9% at the year end.

Subsequent to the financial year end the Company renewed its multi-currency revolving credit facility with The Bank of Nova Scotia, London Branch with a maximum drawable amount of £85 million available until September 2024 (2023: £100 million) and credit approval for an additional 'accordion' amount available upon application for a further £50 million (2023: £50 million). There was £75 million drawn down as at 31 May 2023, reduced to £55 million drawn down as at the reporting date.

Discount management

The Board has an active discount management policy, the primary purpose of which is to reduce discount volatility. It seeks to maintain the discount in single digits in normal market conditions. Buying shares at a discount also results in an enhancement to the NAV per share.

Average discounts of investment trusts invested in European equities narrowed during the year under review, with the discount on the Company's shares being 10.9% at the year end (31 May 2022: 12.3%).

CHAIR'S STATEMENT continued

The Board believes that the most effective means of minimising any discount at which the ordinary shares may trade is for the Company to deliver strong, consistent, long-term performance from the investment portfolio (in both absolute and relative terms). However, wider market conditions and other considerations inevitably affect the rating of the ordinary shares from time to time.

In determining whether a share purchase would enhance shareholder value, the Board will take into account market conditions, the Company's performance, any known third-party investors or sellers, the impact on liquidity and total expense ratios and of course the level of discount to net asset value at which the shares are trading. Any purchases will only be made at prices below the prevailing net asset value and where the Board believes that such purchases will enhance shareholder value.

A total of 4,126,242 shares were repurchased into treasury during the period under review (with an aggregate value of £30.7 million) and a further 1,670,207 shares (with an aggregate value of £13.2 million) have been repurchased since the financial year end (as at 18 September 2023). This compares with 4,052,000 shares bought into treasury in the previous financial year. The repurchase of shares at a discount to NAV added a total of £4.9 million to the Company's NAV during the period under review and has added a further £1.7 million since the year end.

The Board is of the view that the Company should retain the power to buy back shares during the current financial year and is therefore seeking to renew the annual authority to repurchase up to 14.99% of the shares in issue at the forthcoming AGM.

The Company also has authority to issue new shares and to reissue any shares held in treasury for cash on a non-pre-emptive basis. Shares are issued/reissued only at a premium to NAV, thereby enhancing NAV for existing shareholders. The Directors are, once again, seeking 10% share issuance authority at the AGM. As with the buyback authority, this authority will expire at the conclusion of the AGM to be held in 2024, unless renewed earlier. No shares were issued or reissued during the period under review.

Environmental, social & governance

Consideration of ESG factors by investors continues to be a rapidly developing field which is to be welcomed. As we have mentioned in previous communications it is still a relatively new area for investors and it can be an incredibly complex landscape with its own language and metrics and sometimes conflicting narratives. Your Board continues to engage with the Investment Manager about its approach and the part ESG factors play in research, portfolio construction and voting. The Company does not exclude sectors on sustainability grounds, however consideration of ESG risks is an inherent part of the investment process.

Board composition

As previously announced, Virginia Holmes intends to retire from the Board at the forthcoming Annual General Meeting. Ms Holmes has served on your Board since 2017 and as your Senior Independent Director since 2022. On behalf of the Board and our shareholders I would like to thank her for her invaluable contribution to the Company throughout her years of service. She takes with her our very best wishes for the future.

I am delighted that Lord Lamont has agreed to take over as Senior Independent Director with effect from the date of our AGM.

On 10 August 2023, the Board announced the appointment of Ms Manisha Shukla as a non-executive Director of the Company. Ms Shukla is a practicing solicitor with particular expertise in the financial services industry. Further details about Ms Shukla are set out on page 40 and we welcome her to the Board.

We continue to review Board composition and Directors' succession on a regular basis to ensure that we have a Board with a mix of tenures and one which provides diversity of perspective together with the range of appropriate skills and experience for your Company.

In accordance with the UK Corporate Governance Code, with the exception of Ms Holmes, all Directors who have held office throughout the financial year are offering themselves for re-election (or, in the case of Manisha Shukla, election) at the forthcoming Annual General Meeting. The Directors' biographies can be found on page 39, and between them, they have a wide range of appropriate skills and experience to form a balanced Board for the Company.

CHAIR'S STATEMENT continued

I would like to thank my fellow Directors for their diligence and dedication on your behalf over the last year.

Continuation vote

Under our Articles of Association, the Company is required to put forward to shareholders a resolution every three years to approve the Company continuing in being as an investment trust. Accordingly, an ordinary resolution to that effect will be proposed at this year's Annual General Meeting.

During the ten months since my appointment as your Chair I have engaged directly and through both Devon and our brokers with a range of shareholders representing the majority of the Company's ordinary share register. These engagements have included both the Company's largest shareholders as well as some smaller holders. I have been encouraged by the support from shareholders during these discussions, noting that the Company's underperformance over the past five years should be set in the context of the longer-term outperformance achieved for the Company's portfolio since the Company's launch in November 2000 (as illustrated on page 4, above) and acknowledging the importance of the consistent application of the Company's discount management policy described above. The Board considers the continuation of the Company to be in the best interests of shareholders and recommends that shareholders vote in favour of the continuation resolution at the Annual General Meeting.

Annual General Meeting

The Company's Annual General Meeting will be held on 15 November 2023. Notice of the Annual General Meeting, containing full details of the business to be conducted at the meeting, is set out on page 99 of this report.

I would like to take the opportunity to remind shareholders that you have the right to vote on matters that affect the Company. It is an important aspect of an investment trust that shareholders can and are encouraged to make their voices heard by voting on key business matters.

We continue to be pleased to see moves in the investment platform industry to democratise shareholder access for nominee holders with information being made more readily available by platforms to shareholders when companies have votes open and giving the ability for shareholders to participate in those votes. This past year in December, one of the largest platforms, Hargreaves Lansdown, joined Interactive Investor in offering an online voting service for its clients. Should you be a shareholder through a platform which offers the opportunity to vote then we encourage you to take advantage of those arrangements for casting your votes and thus having your say in the running of your Company.

Your attention is also drawn to the Directors' Report beginning on page 41, where the resolutions classified as special business are explained on page 45.

In addition to the formal business, Alexander Darwall and his investment team at Devon will provide a presentation to shareholders on the performance of the Company over the past year as well as an outlook for the future. The Board would welcome your attendance at the AGM as it provides shareholders with an opportunity to put questions to both the Board and the Investment Manager.

Outlook

Despite the disappointing performance over recent years the Board is confident in our core investment case. We believe that our Investment Manager has the potential to provide superior returns over the medium term and we encourage all Shareholders to support the continuation of the Company for a further three years at the forthcoming AGM.

I would like to express my thanks to all of our shareholders and stakeholders for their continuing support.

Matthew Dobbs

Chair

21 September 2023

INVESTMENT MANAGER'S REVIEW



Despite slowing economic growth, stubbornly high inflation and higher interest rates, European equities advanced in the period under review.

Higher interest rates normally have the effect of depressing equity valuations and corporate earnings; and slower economic growth should also suppress earnings growth. Equity valuations were nevertheless sustained during the period despite the impact of higher rates. Corporate earnings, on the other hand, have come under pressure. After the surge in earnings in 2021 and 2022, consensus aggregate earnings for 2023 and 2024 are expected to be weak, with barely any growth in 2023 and only about 5% expected in 2024.

The main explanation for the rise in European equity markets lies in the lingering effects of the massive, expansionary 'quantitative easing' (QE) central bank policies which were started in 2009 in response to the Global Financial Crisis. Although policy makers have now moved from QE to 'quantitative tightening' (QT), the effects of the European Central Bank's (ECB's) Asset Purchase Programme (APP) and the Bank of England's bond buying programme will take time to reverse. Even though interest rates have now risen markedly, there is still a great deal of 'cheap' money in the economy. Whilst the stock of cheap money created by QE continues to sustain equity valuations, government initiatives such as furlough schemes during COVID created significant excess household savings, sustaining surprisingly high levels of consumer spending. This has been a crucial factor behind the resilience of the European economies and underlying corporate earnings. As household savings are used up, and as QT grinds on to reverse the expansionary effects of QE, in due course the present benign economic conditions will give way to a much tougher economic climate.

Another element explaining the good performance of European equities during the period is the easing of concerns over energy costs. Europe's energy dependency is well known. The Green transition is not significantly changing this dependency, at least not in the foreseeable future. Approximately 60% of Europe's energy needs are imported. The rupturing of supplies and, finally, prohibiting the import of gas from Russia has made Europe much more dependent on imports of liquefied natural gas (LNG). Indeed, LNG imports have surged, with the US the principal source. In addition, Europe's energy use by households and industry dropped by an estimated 15% last winter. The decarbonisation of the European economy has been accomplished through a loss of industrial competitiveness, with industry (and associated emissions) being moved offshore.

Europe's economy continues to underperform other regions. The IMF's most recent forecasts in April 2023 bear this out. The IMF expects the European Union to grow at 0.8% in 2023 and by 1.6% in 2024. The respective figures for world growth are 2.8% and 3%. Inflation has proved to be a more intractable problem in Europe than elsewhere. Accordingly, European central banks, notably the ECB changed course when in June 2022 the Governing Council of the ECB decided to discontinue net asset purchases under the APP as of 1 July 2022 and thereby signalled its intention to raise interest rates. At the time of writing, the ECB's main refinancing rate is 4% and the 3-month Euribor interest rate is 3.57%, compared with 0% and -0.34% respectively at the end of May 2022. This rapid rise in interest rates doubtless has the effect of slowing economic growth, although, for the reasons described above, the full impact is yet to be felt.

Positioning

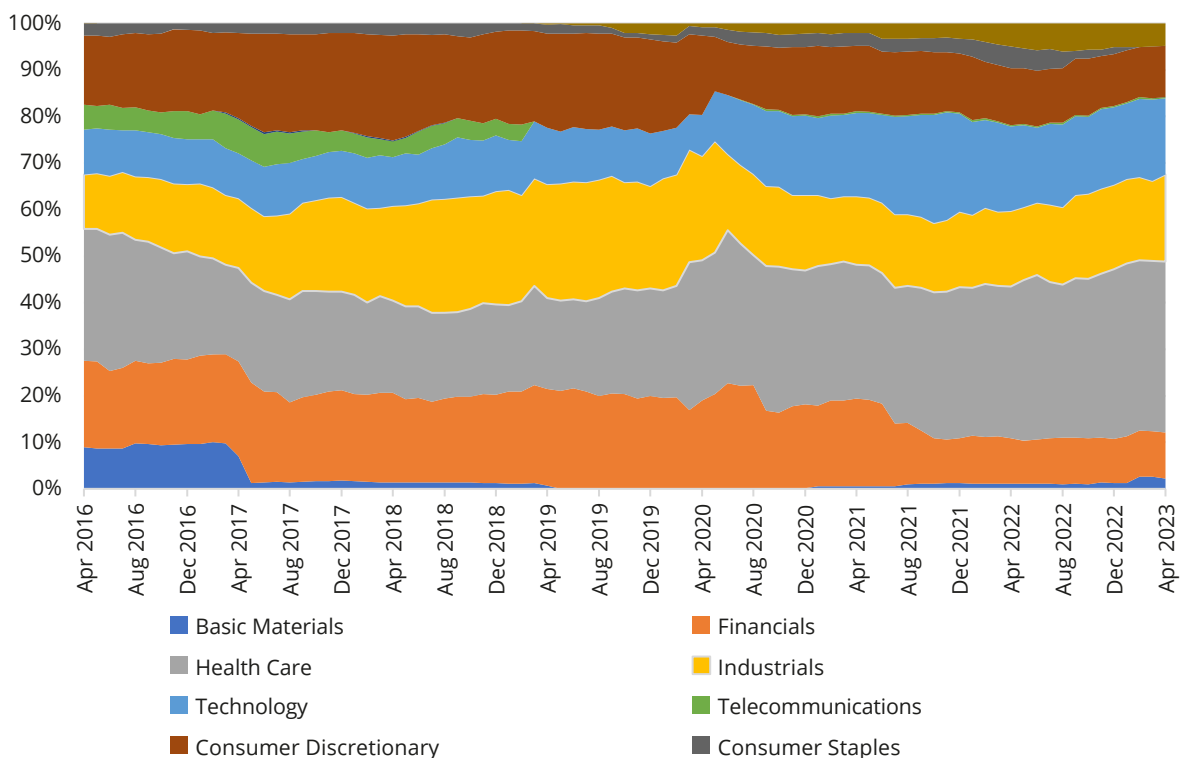
We continue to invest in what we describe as 'special' companies, companies that, in our opinion, can flourish in a range of economic scenarios and which are well protected from competitive pressures. We believe that our portfolio is well positioned to navigate macro challenges. Our companies tend to be much more global in their activities than most European listed stocks, thereby achieving exposure to faster growing economic regions; our companies tend to have stronger balance sheets with less debt and higher cash flows than most European listed stocks, and thereby less vulnerable to higher interest rates; our companies are relatively low users of energy and are therefore less concerned by higher energy costs. Moreover, our companies are generally relatively less exposed to consumer spending. Selling products and services with measurable added value to other corporates and governments is, we think, a more resilient business model as the economy slows down.

INVESTMENT MANAGER'S REVIEW *continued*

Even though we observe a retreat from globalisation, most obviously with the deterioration in China's relations with the West, we continue to maintain the 'global' character of our portfolio and believe that it is a crucial strategic advantage. The nature of our investee companies' exposure to China is, generally speaking, such that we do not consider 'value at risk' to be a major concern. In some cases, for instance semiconductors, there is a need to build more capacity in the US and Europe to counter the dependency on production in China and Taiwan. This duplication is, from a strictly economic view, disappointing. However, for individual companies it can be a boon.

The Company's high level geographical and sectoral exposures are a product of our stock picking approach to investment rather than an active asset allocation decision in their own right.

We believe the Company's portfolio is well diversified, despite the relatively small number of holdings. The portfolio has been managed in a consistent manner since the launch of the Company in November 2000. The below chart illustrates the Company's high level sector exposures over the past 7 years resulting from our stock selection for the portfolio:

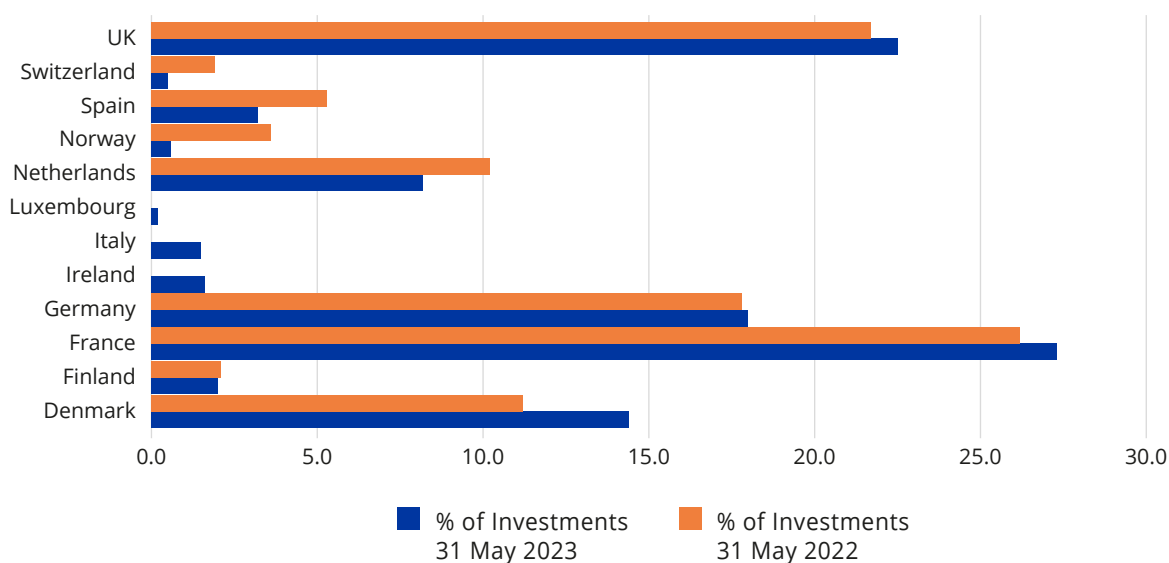


The biggest changes in the Company's sectoral exposures over the 7 years illustrated above have been the reduction to Consumer Discretionary and Financials. The reduction in Basic Materials and Telecommunications is explained by the acquisition of the Company's former holding in Syngenta by ChemChina and the sale of Inmarsat, respectively. The key underweights have consistently been to mainstream Financials, Real Estate and Utilities. The Company's relatively large exposure to Healthcare is diversified by the activity, market cap and portfolio weighting of our underlying holdings.

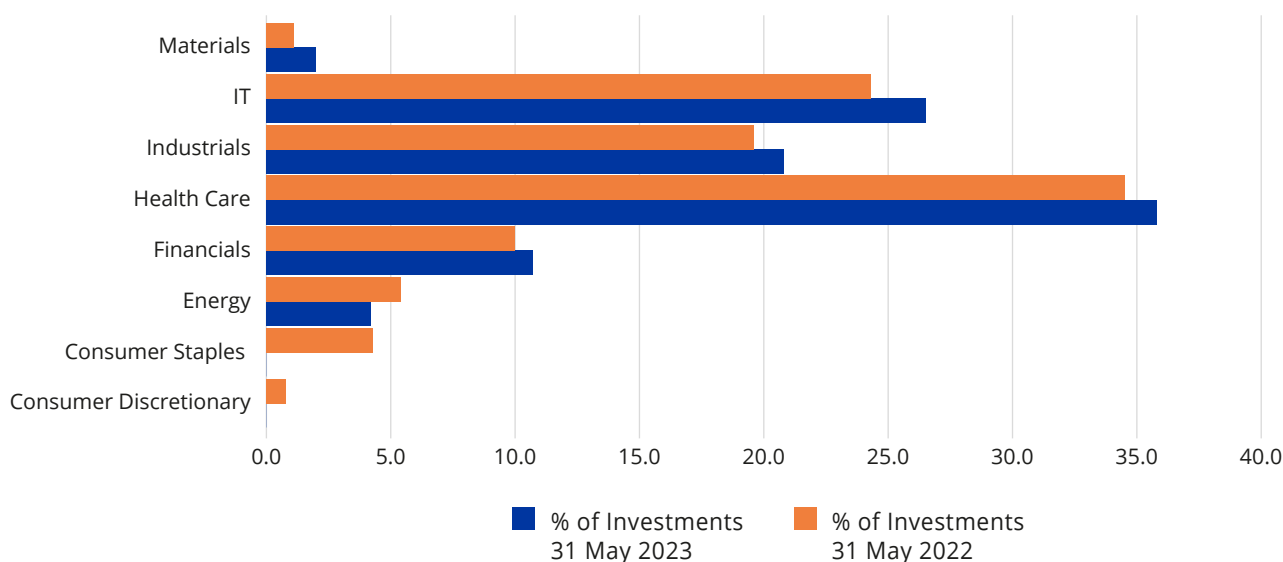
INVESTMENT MANAGER'S REVIEW *continued*

Shareholders may find the following comparisons between the Company's sectoral and geographical weightings as at 31 May 2023 and as at 31 May 2022 to be of interest:

Country Exposure



Sector Exposure



Performance

The total return on the net asset value of the Company's ordinary shares was 3.3% during the twelve months to 31 May 2023. This compares with a total return of 6.9% from our Benchmark, the MSCI Europe index in GBP.

We under performed our Benchmark during the period under review. We had relatively low exposure to some of the better performing sectors in the Benchmark during the period, such as defence, financials and luxury goods. Stock picking is the

INVESTMENT MANAGER'S REVIEW *continued*

key to our strategy. We believe that our portfolio has been hampered in recent years by the widespread investor apathy towards European equities which has, we believe, caused an unmerited derating of some of our companies.

European funds are out of favour, as evidenced by the significant outflows from open-ended European equity funds this year. To a certain extent it is understandable that asset allocators have withdrawn funds from European equities: Europe is most heavily impacted by the energy crisis and does not appear to have effective policies to reverse its long record of economic underperformance. Recent manifestations of this malaise such as civil unrest in France harden the perception that Europe is a difficult area in which to invest. A reduced allocation to European equities disproportionately affects the mid and smaller stocks in which we are overweight. Investor indifference is only slightly mitigated by private equity interest in the region. Over the last year we have had private equity bids for three of our companies, Network International, OHB and SUSE. In all cases we consider the bids were too low but the signal lack of interest from public market investors meant that we had no choice but to accept. Even with occasional bids from private equity, we believe that many of our companies are currently materially under-valued.

Results from our companies were good, underscoring our optimism in the portfolio. We expect further positive developments as the year progresses. The top performing companies in the period under review, as shown in the full portfolio set out on page 18, have also been key contributors over the past three years.

Contributors

The biggest single contributor to our performance in the period under review was **Novo Nordisk**, the Danish pharmaceutical company, and our biggest investment. The company's results have confirmed that demand for their new diabetes and anti-obesity drugs is soaring. The anti-obesity part of their business is extraordinary: an almost completely new opportunity. Whereas existing therapies have failed to make much of a mark, Novo Nordisk's GLP-1 drugs have proved to be extraordinarily efficacious in causing weight loss. It is a huge, growing global market with only one serious competitor presently.

The scale of the opportunity is hard to envisage, though one way is by taking the World Health Organisation's definition of obesity, that being a Body Mass Index (BMI) of more than 30. By this definition, in 2016 there were over 650 million obese adults globally, a number surely higher now and certainly higher if children were included. Like all blockbuster opportunities, competition is working hard to enter the space. Likewise, the stunning success of the drugs has (rightly) brought commensurate scrutiny of the safety issues. On both counts we are optimistic.

As for competition, the market is obviously big enough for multiple players. Novo Nordisk can point to certain advantages (first mover, strong global reputation, and favourable cardiovascular effects of their drugs) which are likely to ensure a strong position in the market. As for safety concerns, the company's GLP-1 drugs have been in the market, and taken by millions of people, since 2014. There is therefore plenty of real-world evidence which, to date, does not concern us unduly. Nevertheless, we recognise that these factors – competition and safety concerns – are holding the shares back in the short term. The results of more clinical trials are expected which should further boost the company's prospects. Notwithstanding our great confidence in the company, for the reasons explained in 'Portfolio Activity', we reduced our weighting.

The next biggest contributor to our performance was **Edenred**, the French provider of specific-purpose payment solutions for companies, employees and merchants. Edenred is the inventor of 'Ticket Restaurant', and now processes and promotes payment solutions for food (such as meal benefits), incentives (such as gift cards, employee engagement platforms), mobility (such as multi-energy, maintenance, toll, parking and commuter solutions) and corporate payments (such as virtual cards). It operates schemes for governments and corporates which want to give benefits to employees for specific purposes. Revenues are expected to grow at nearly 20% in the near term, driven by new government initiatives, digitalisation and a dynamic Brazilian market. Management, in our opinion, is exceptionally good; we have great confidence in their strategy.

Infineon, the German-listed, designer, manufacturer and marketer of power semiconductors, was another significant contributor to performance. Demand for power semiconductors has remained robust. Infineon's semiconductor systems and solutions help to feed regenerative energy into power grids, reduce energy consumption by computers and make cars more energy efficient. Power efficiency and savings are clearly of increasing importance and Infineon is well placed to benefit.

INVESTMENT MANAGER'S REVIEW *continued*

One of our long-standing investments, **RELX**, was another good performer. Opinion is split as to whether the company will be a winner or loser from Generative AI. The good price performance suggests that most investors think RELX is a winner from Generative AI. This is also our view. There are two areas of the company's business, Risk and Legal, where we think it will benefit. AI is not completely new: RELX has for many years developed algorithms which might now be described as AI. The necessary ingredients for success are control of data and domain knowledge. RELX has both of these and thereby is well protected from new entrants. In fact, we expect the company's use of AI to be one factor which will increase the growth rates of its Risk and Legal businesses.

In absolute terms **Network International** was the best performing stock in the portfolio following a takeover offer from a private equity consortium. Nevertheless, this was a disappointing outcome. The price at which the takeover was agreed, in our opinion, significantly under-valued Network International. Yet the directors were right to recommend the offer as public market investors had not shown much interest in the company. This episode is illustrative of public market investor apathy. Private equity has certain advantages, not least that their investors are, necessarily, more patient. It is regrettable that good companies such as Network International fail to attract the requisite investor support to keep it in the public markets.

The performance of **Oxford Instruments** in some respects bears out this point. In March 2022, Oxford Instruments was the subject of a conditional takeover offer. Fortunately, Oxford Instruments remained independent and has, since the takeover approach, produced a string of excellent results. Public market shareholders are now benefitting from the company's commercial success, a success built on its leading technologies. We expect the company to continue its impressive record, delivering ever-more efficient research and manufacturing tools including microscopy, scientific cameras and imaging which they supply to a wide range of life sciences and physical sciences enterprises.

Although it made only a small contribution to the portfolio's performance, as the second largest holding, **Experian**, the leading credit bureau, deserves comment. Credit origination in the US, one of the key drivers of Experian's business, remained solid. Experian has developed a consumer-facing business in North America which represents a successful diversification. Its business in Brazil, its second biggest market, is thriving in the wake of changes in the banking landscape in Brazil. The company has virtually no presence in China (no value at risk) but sees scope to develop its other assets in Asia. India, where Experian has been present with a credit bureau for many years, and which represents a significant medium term growth opportunity.

Another positive contributor to performance was **Dassault Systèmes**, the French-listed technology company. The company provides design and engineering software for manufacturers and product life cycle management software to pharmaceutical and healthcare companies. This long-standing investment continues to impress with its constant innovation and strong strategic steps. Its strategic vision and good execution mean that, in our opinion, Dassault Systèmes is likely to build on its excellent track record.

Deutsche Boerse also contributed to performance. Higher interest rates in the US and Europe boosted net interest income on cash balances. Turmoil in financial markets is good for the company, both directly with more index futures trading and indirectly as higher interest rates boosts their income from customer deposits. Returns from commodity derivatives was also boosted by high margin fees.

Finally, we note the strong showing of **Grenke**, the German small-ticket leasing company. The subject of unfounded allegations of illegality in 2020, the company has cleared its name and is now reporting good results. Higher interest rates are, surprisingly perhaps, relatively good news for its leasing business. Customers are quick to recognise higher borrowing costs from bank lending. The same is not true of leasing. Accordingly, Grenke is reporting better volumes and profits even as interest rates rise. We expect the company to continue to progress.

Detractors

The worst performing stock in the period under review was **Grifols**. Grifols, a Spanish company, is a world leader in the manufacture and marketing of blood plasma derivatives. Poor management lies at the root of the problem. The company has over-extended itself, taking on too much debt. Moreover, the management has not executed well, allowing its core US operations to drift. However, following a period of management turmoil, we are satisfied with the appointment of a new CEO. The announcement of a significant restructuring plan and other commitments to reduce debt has hardened our confidence. The company faces a potential existential threat to the business in the form of new competition from new

INVESTMENT MANAGER'S REVIEW *continued*

anti-FcRn inhibitors which threaten to displace Grifols' IgG fractionated products. In our view, demand for fractionated blood plasma will remain strong notwithstanding the impact of FcRn inhibitors, and in due course collections will return to normal as harsher economic conditions incentivise blood plasma donors to return. The early signs of a turnaround in the company's fortunes are encouraging.

Shares in **SOITEC**, the French technology company, performed badly. SOITEC has unique technology. It designs and manufactures semiconductor materials. They produce substrates for miniaturising chips, improving their performance and reducing their energy usage. Management ructions explain the weak share price. This situation appears to have stabilised now and as investor attention has refocussed on their new innovative initiatives, confidence has started to return. We are optimistic that SOITEC will enjoy another boost to its growth rate as its technology is adopted in silicon carbide devices, itself a play on the growing electric vehicle market.

Bayer shares also retreated in the period under review. Bayer is a global enterprise with core competencies in life sciences, healthcare and technology for agriculture. Even the appointment of a new CEO could not shake the torpor that afflicts Bayer's shares. This German conglomerate has been plagued by lawsuits in the US over the alleged carcinogenic effects of Roundup, its systemic, glyphosate-based herbicide originally produced by Monsanto. To date, the company has set aside approximately \$13 billion to settle with most plaintiffs. There is a risk of further costs. The Crop Science business of Bayer is world class. We expect its value will be properly recognised by investors in due course.

Mowi is the world's leading salmon farmer. The business has performed well, with demand for salmon continuing to improve, underlining our view that this is a good, resilient business. However, the Norwegian government introduced a new 'resources' tax to take most of the profits that Mowi generates from its Norwegian based business. This quasi nationalisation was unacceptable to us; it distorts normal capital allocation and represents a significant penalty for Mowi's success in building a strong business. Accordingly, we sold our shares.

The French company, **Gaztransport & Technigaz** (GTT) also slightly detracted from our performance. It provides engineering and design technologies for liquefied natural gas (LNG) carriers and engineering and design technologies for LNG propulsion systems for ships. Although the EU Parliament decided to approve the inclusion of gas and nuclear in the EU Taxonomy, lower gas prices has blunted investors' enthusiasm for GTT. The greater use of natural gas is clearly vital to GTT's success. One of the main attractions of natural gas is that it is a "transition" fuel, a fuel that can substitute oil and coal with lower carbon dioxide emissions. However, pressure is building to move directly to renewable sources of energy, bypassing the use of natural gas. The International Maritime Organisation, for instance, has recently adopted a net zero commitment for international shipping by 2050. In the absence of credible alternative fuels, we think this is an unrealistic ambition and continue to believe that LNG will form an important part of shipping's fuel mix. We are confident in GTT's prospects.

Shares in **Genus**, the world leader in porcine and bovine genetics, fell sharply. The core business, the development and supply of bovine and porcine genetics, remains very solid. It is a world leader. However, the Chinese market, an important market for Genus, has slumped as African Swine Fever has ravaged the Chinese pig herd. In due course we expect the Chinese market to recover and with that we would expect to see a recovery in the Genus share price. The company is at an advanced stage with studies which we expect will lead to it applying for regulatory approval of its gene editing technology for creating animals resistant to the Porcine Reproductive and Respiratory Syndrome virus (PRRSv). This is potentially a huge, transformational opportunity for Genus. We remain confident about the core business and see tremendous potential value in the company's gene editing technology.

Neste, the Finnish-listed company, had a small negative impact on our returns. Its principal business is the production and sale of renewable biodiesel including Sustainable Aviation Fuel (SAF). Results have been excellent. However, investors have concerns both about demand and supply for their products.

INVESTMENT MANAGER'S REVIEW *continued*

As regards demand, the new Swedish government's decision to cut the amount of biofuel that must be added to diesel and petrol has highlighted the vulnerability of a business which is largely dependent on government regulation. We do not expect a softening in mandates in Europe, which are forecast to drive demand. And whilst it is true that most demand depends on mandates in Europe and the US, the voluntary market is also important and growing. SAF is the most significant part of the voluntary market in which airlines have chosen to go beyond EU or government mandates committing to using increasing proportions of SAF with jet fuel. We are confident that demand for Neste's renewable products is growing strongly.

As regards supply, admittedly there are plenty of competitors with plans to build capacity. However, we think that Neste has a critical advantage in securing feedstock partly because Neste's proprietary processing technology allows it to use lower quality waste materials, giving it an advantage over its competitors and partly because it has built an impressive global collection platform. Without such an advantage, we think that competitors will struggle to secure sufficient resources thereby limiting its capacity to compete. We remain confident that the company's prospects are soundly based.

BioMérieux, the French listed in vitro diagnostics company, has emerged from Covid a bigger, more profitable business. Yet the shares have been derated. This we attribute to investor apathy rather than to a deterioration in the company's prospects. Indeed, with the launch of its new point-of-care syndromic testing kits, we believe that BioMérieux has opened a big new opportunity. The company's prospects are better than ever.

Since its listing in April 2021 **Darktrace** has produced a series of excellent results. The company warned that their growth rate has slowed to just under 30%, a figure that unsettled some investors. The bigger concern for Darktrace was the allegation of criminal misconduct, specifically in its accounting practices. The company announced in July that a forensic audit had found no evidence of wrongdoing. We have engaged extensively with management and the directors. Consequently, we are currently relatively optimistic for this holding.

Finally, **Intermediate Capital Group** (ICG) also detracted from our relative returns. ICG is a UK-listed private equity company investing in private credit and debt. Although its results have continued to impress, many investors are concerned that ICG will be adversely affected by rising interest rates. To some extent this is true, however there are other considerations which makes us, on balance, more optimistic. The first is that ICG has more exposure to private debt than it has to private equity. This implies that it possesses substantial safeguards, given the availability of funds to settle debts prior to benefiting shareholders. In this respect, the tighter debt situation is a positive for the company.

Portfolio activity

We raised approximately £153 million from sales during the year under review, representing about 17.8% of the portfolio. We reinvested approximately £118 million of the proceeds, representing 13.6% of the portfolio, using part of the balance to reduce bank borrowings. We remain confident in our investments but have been reducing net gearing over the last few months, largely in response to higher interest rates.

The biggest sale during the year was that of our entire holding in the Swiss-listed **Barry Callebaut**, the world's leading manufacturer of high-quality chocolate and cocoa products. As a consumer facing business we were concerned that higher chocolate prices would impact demand for Barry Callebaut's products. Indeed, since selling the position the company's results have shown that this is what happened.

We also sold our shares in **Mowi** for the reasons explained earlier in this report: a new punitive tax on the company's Norwegian operations convinced us that this will stunt the development of salmon farming in Norway.

We sold **Pets At Home** as we have concerns about how it will fare in a UK consumer recession.

INVESTMENT MANAGER'S REVIEW *continued*

We reduced weightings in Novo Nordisk, Infineon, Dassault Systèmes, Wolters Kluwer, RELX, GTT, Worldline, BioMérieux. The bigger sales of Novo Nordisk, Infineon, Dassault Systèmes and RELX were prompted by strong performance, reducing already significant weightings. The other sales were made on valuation grounds and when we considered there was better value to be found in other stocks. The over-arching consideration was to reduce the Company's borrowings.

In the course of the year we took new positions in Ryanair, Genmab, Bachem, Air Liquide, SUSE, Elkem, BFF, and Prysmian. Of these, **Ryanair** was the biggest new position. This is a company which we have held for long periods in the past. Although we have some concerns about investing in a business that is vulnerable to a consumer recession, the extent of the cost and network advantages that Ryanair has built in recent years is extraordinary. Ryanair has, because they planned for a strong recovery during the Covid pandemic, gained market share in the European short haul market. Its network of flight routes has expanded as competitors have retreated. Its cost advantage is such that we believe it can weather a recession well not least because it should gain more market share as passengers seek better value flights.

We also established a position in **Genmab**, a Danish biotech company, focussed primarily on oncology through the production of monoclonal and bispecific antibodies. It has leadership in the most complex aspects of antibodies production and an impressive pipeline. We see opportunities for the company to develop in other therapeutic areas. Their potential addressable market is huge although it will take time for this to develop.

Air Liquide was another important new purchase. It is a global leader in industrial and healthcare gases, producing and selling gases such as hydrogen, liquid nitrogen, oxygen and carbon dioxide. Industrial gases are vital to most industrial activities. The transition to 'green' industrial gases, notably hydrogen, represents a significant potential opportunity for Air Liquide. We like their low risk, higher reward strategy as regards the green transition. It is their customers, rather than Air Liquide itself, which take the initial, substantial capital risks where 'green' transition is concerned.

We initiated a position in **Prysmian**, an Italian company headquartered in Milan. Prysmian operates in the business of underground and submarine cable systems for power transmission and distribution, special cables for applications in various industrial sectors and medium and low voltage cables for infrastructure and construction needs. The Group also operates in the telecommunications sector by manufacturing cables and accessories for voice, video and data transmission, with a full range of optical fibre, optical and copper cables, and connectivity systems. North America accounts for over a third of group sales and is the region which will probably make the greatest contribution to profits growth in the medium term. There is a tremendous need to overhaul and modernise the electric grid in the US. Increasing electricity generation, driven by the substitution of fossil fuels for renewable energy sources, more data centres and 're-shoring', necessitates this upgrade. The same is true in Europe, which accounts for over 40% of group sales, though the grid is not as old as in the US.

Smaller new purchases included that of shares in **Bachem**, the Swiss listed company, which develops and produces peptide active pharmaceutical ingredients (API). Bachem has long-term expertise in chemistry manufacturing and controls development in industrial peptide manufacturing. The company is expanding into the adjacent activity of oligonucleotide manufacturing.

Bachem stands to benefit from the growth in the market for peptide-based therapies, most notably the GLP-1 class of drugs for diabetes and obesity, although the pipeline of broader peptide-based therapies is exceptionally strong. The success of existing and new peptide-based therapies can be expected to drive a continued inflow in R&D investment into peptide-based therapies, underpinning our confidence in the continued growth of the market, from which, as the clear market leader, Bachem stands to gain. The company's expansion into the adjacency of oligonucleotide manufacturing further contributes to the company's growth prospects.

SUSE is a German-based multinational open-source software company that develops and sells Linux computer operating systems to business customers. Subscribers receive support and access to custom packages which improve the operating system. As computing power and use rises, we expect the demand for operating system instances to increase in parallel. This is what Linux from SUSE, the world's second biggest provider of paid Linux, provides. Recent execution has disappointed. We believe that the newly appointed CEO can improve execution and boost the growth rate. We sold this holding after the period end following a recommended offer by a private equity company.

INVESTMENT MANAGER'S REVIEW *continued*

We also took a very small position in **Elkem**, the Norwegian-listed producer of silicones and silicon products, operating worldwide. We believe that the company enjoys a sustainably favourable cost position which will ensure that it remains a leader as demand grows.

A new position was established in **BFF Banking Group**, the largest independent specialty finance company in Italy and a leading player in Europe. It specialises in the management and non-recourse factoring of trade receivables due from the Public Administrations, securities services, banking and corporate payments. Experts at collecting payments from public authorities, BFF provides this factoring service to many suppliers to the same public authorities. Its roots are in collections for their pharmaceutical customers. The group operates in Italy, Croatia, Czech Republic, France, Greece, Poland, Portugal, Slovakia and Spain.

Largest net purchases and sales during the period

Largest net purchases	£'m	Largest net sales	£'m
Ryanair	15.6	Novo Nordisk	30.7
Genmab	14.7	RELX	22.8
Air Liquide	13.4	Barry Callebaut	17.6
Prysmian	12.2	Mowi	15.9
Edenred	5.1	Infineon Technologies	9.6

Gearing

Net gearing at 31 May 2023 was 8.9%. In setting the level of borrowings, we are mindful of the levels of debt in our underlying companies, as well as the macro situation and upside potential of our investments. It is not our intention in the foreseeable future to increase borrowings. Since the year end our net borrowings have reduced further to 5.6% as at 31 August 2023.

Outlook

Investor sentiment regarding Europe is not good. Europe has been a structurally lower growth region than North America and Asia. This pattern is unlikely to change soon. Indeed, Europe remains vulnerable to further energy shocks. The EU's target, as set out in its 'Fit for 55' is the reduction of EU emissions by at least 55% by 2030. The corollary is that renewable energy should reach 45% share of the total energy mix by 2030. Reaching these goals has an economic cost. Accordingly, we select companies that have a global reach, tapping into faster growing regions, and companies where energy costs are a lower component of the overall cost base.

The European economy has proved to be surprisingly resilient, buoyed by robust consumer spending. Driven by the joint impacts of monetary and fiscal stimulus, the post-pandemic period has been one characterised by abundant liquidity and a resilient consumer. However, as the ECB's asset purchases continue to unwind and consumers deplete their pool of excess savings, we see a different dynamic unfolding, a less resilient economy and more subdued consumer spending.

Our companies, typically, have lots of intellectual property (IP) and innovate extensively, meeting customers' needs. New technologies will continue to drive innovation and create new business opportunities. Most prominent of these emergent technologies is Artificial Intelligence (AI). In our view, the biggest beneficiaries of this development will be those companies that have proprietary, monetisable data, and those that provide infrastructure to accommodate significant computing applications, fitting exactly the profile of our investee companies. These same IP intensive, innovative businesses have pricing power and discipline, a crucial factor in softer economic conditions. We remain confident in our strategy and in the positioning of our portfolio. Our lower exposure to consumer spending and input cost dependency positions us well. Moreover, the strong balance sheet and profitability profiles of our companies positions them well not only to survive in more challenging conditions, but to thrive as competitors lack the cash flows to invest through the cycle and as new M&A opportunities emerge.

INVESTMENT MANAGER'S REVIEW *continued*

Our style has remained consistent throughout the 23 years since the Company's launch in November 2000. We invest in companies with exceptional, idiosyncratic growth prospects, that succeed through the cycle, owing to the value proposition their products represent to customers. Notwithstanding our concerns about widespread investor apathy, we continue to identify and invest in special companies which enjoy structural growth. This is the basis of our confidence in the medium-term prospects for the Company's portfolio.

Alexander Darwall

Devon Equity Management Limited
21 September 2023

INVESTMENT PORTFOLIO

as at 31 May 2023

Company	Sector	Country	Market Value £'000	Portfolio weight/%	Benchmark weight/%	Price 12* months/%	Relative* Contribution to Portfolio return/%
Novo Nordisk	Healthcare	Denmark	121,606	13.0	2.7	48.8	4.4
Experian	Industrials	UK	88,437	9.4	0.3	8.5	1.0
Dassault Systèmes	IT	France	77,777	8.3	0.3	6.7	0.7
RELX	Industrials	Netherlands	75,351	8.0	0.6	13.1	1.2
Edenred	IT	France	57,842	6.2	0.2	35.2	1.6
Deutsche Boerse	Financials	Germany	57,480	6.1	0.3	6.8	0.4
BioMérieux	Healthcare	France	52,255	5.6	0.0	(2.3)	0.1
Bayer	Healthcare	Germany	44,376	4.7	0.6	(17.4)	(0.8)
Genus	Healthcare	UK	42,579	4.6	-	(7.5)	(0.2)
Infineon Technologies	IT	Germany	32,672	3.5	0.5	22.1	0.8
Intermediate Capital Group	Financials	UK	31,694	3.4	-	(6.0)	(0.2)
SOITEC	IT	France	31,566	3.4	-	(22.4)	(1.0)
Grifols	Healthcare	Spain	25,523	2.7	0.0	(44.0)	(2.2)
Merck	Healthcare	Germany	22,433	2.4	0.2	(5.1)	(0.0)
Gaztransport & Technigaz	Energy	France	20,487	2.2	-	(20.1)	(0.6)
Oxford Instruments	IT	UK	19,337	2.0	-	25.7	0.5
Neste	Energy	Finland	19,013	2.0	0.2	(31.2)	(0.9)
Darktrace	IT	UK	15,522	1.7	-	(23.4)	(0.4)
Ryanair Holdings	Industrials	Ireland	15,419	1.6	-	(1.9)	(0.0)
Air Liquide	Materials	France	13,474	1.4	0.9	1.6	(0.1)
Genmab	Healthcare	Denmark	12,858	1.4	0.3	(15.1)	(0.3)
Prysmian	Industrials	Italy	11,929	1.3	0.1	(2.3)	(0.1)
Grenke	Financials	Germany	9,615	1.0	-	6.8	0.1
Network International Holdings	IT	UK	9,255	1.0	-	68.6	0.4
Bachem Holding	Healthcare	Switzerland	4,219	0.5	0.0	(21.6)	(0.1)
Grifols Preference	Healthcare	Spain	4,105	0.5	-	(35.7)	(0.2)
Hikma Pharmaceuticals	Healthcare	UK	3,583	0.4	0.0	6.8	0.0
Elkem	Materials	Norway	2,898	0.3	-	(20.6)	(0.1)
Borregaard	Materials	Norway	2,815	0.3	-	(12.6)	(0.2)
OHB	Industrials	Germany	2,707	0.3	-	(7.3)	(0.0)
Wolters Kluwer	Industrials	Netherlands	2,290	0.2	0.3	19.0	0.2
SUSE	IT	Luxembourg	1,795	0.2	-	(31.3)	(0.1)
Worldline	IT	France	1,754	0.2	0.1	(3.3)	0.1
BFF Bank	Financials	Italy	1,652	0.2	-	9.3	0.0
Total			936,318	100.0			

* Price performance and relative contribution to portfolio returns have been calculated on a total return and transactions basis over the period from close on 31 May 2022 to 31 May 2023. These calculations include the impact of foreign currency rates and are based on Bloomberg securities and FX pricing sources and Bloomberg's estimation of the portfolio's total market value. Relative contribution to portfolio return is measured against the MSCI Europe total return index in GBP. Source: Devon, Bloomberg.

ESG & ENGAGEMENT REPORT

ESG, an acronym for Environmental, Social and Governance, encompasses the broad scope of sustainability within the corporate sector. It serves as a framework for evaluating the environmental impact of businesses, their performance in fulfilling social responsibilities and the practices and standards employed in their management.

The Board has instructed Devon to take ESG into consideration in both the discretionary management of the Company's investment portfolio and in its ongoing engagement with investee companies. The Board considers ESG to present both opportunities for the Company (as an indicator of strength in investee companies) and risks (whether in their own right, or inasmuch as they may contribute significantly to other risks, such as market risks, operational risks, liquidity risks or counterparty risks).

The Board reviews ESG and engagement with Devon at its quarterly meetings and it endorses the approach taken by Devon to ESG on behalf of the Company described below:

What sustainability means to Devon?

Devon's overarching philosophy is to act in the collective interest of its clients and this is measured primarily through the criterion of maximising investment returns.

To deliver on this, Devon seeks to identify special investee companies that operate their businesses in a sustainable and efficient manner. This is typically characterised by high-quality board decision-making and governance which encompasses a strategic vision aligned with long-term goals, transparency, accountability, diversity, ethical conduct, robust risk management, stakeholder management and a focus on long-term sustainability. This reflects a leadership culture which operates with integrity, considers the best interest of all stakeholders, and embraces a commitment to both excellence and ethical conduct in guiding the Company's path to success.

A long track record

Devon focuses on seeking out special companies that possess distinct characteristics which are expected to generate significant benefits for shareholders and other stakeholders in the long term and which will, in turn, be reflected in the share price.

This evaluation of the long-term prospects for an investee company have always taken into consideration political, environmental and social factors, as these are likely to have a material impact on the future financial performance of a company. For Devon, sustainable practices and the prospect of long-term investment returns are inextricably linked.

Over the past 24 years, funds managed by Alexander Darwall have been characterised by a low turnover. The investment team at Devon places great importance on lengthy holding periods and associated relationships built with investee company management. Specifically, the team places a strong emphasis on corporate culture, integrity of management and the level of employee satisfaction, all of which are considered to be indicators of a strong business model, and Devon would not tolerate indications of exploitative labour, uneconomic wages, dangerous or unlawful business practices.

Devon has also long recognised the significant influence of the end-consumer of goods and services on its investee companies. The end customer is a powerful arbiter and influences the way in which these companies are run. If an investee company compromises on the quality of raw materials, engages in supply chain abuses, or neglects investment in their workforce, it is likely to result in a decline in product or service quality. This can lead to a loss of consumer trust, damage to the brand reputation and hinder future growth prospects.

Sustainability risks¹

The Company has not adopted formal sustainability investment objectives and it does not require Devon to apply negative screens that would automatically exclude certain investee companies.

Nevertheless, the assessment of potential and actual sustainability risks and opportunities is integrated into the investment decision-making process and in the ongoing risk monitoring of all investee companies.

¹ As defined in Devon's Sustainability Risk Policy, 'an environmental, social or governance event or condition, which, if it occurs, could cause a material negative impact on the value of an investment'.

ESG & ENGAGEMENT REPORT continued

The environment in which the Company operates today is increasingly focused on ESG considerations in the evaluation of sectors and companies. It clearly distinguishes between companies that present compelling narratives, for example in the transition to net zero greenhouse gas ('GHG') emissions and those that have yet to do so.

A sustainable company is one where the management considers, values and acts on the long-term implications of environmental, social and governance factors (including climate change). Devon believes that the failure by an investee company to anticipate and address these issues could result in a material reduction of long-term risk-adjusted returns for shareholders. Consequently, ESG considerations have become an ever larger and more significant component of the evaluation of the risks and benefits associated with any investment.

The investment process

For Devon the integration of ESG into the investment process relies heavily on in-house research, encompassing both fundamental and quantitative considerations.

For each investee company the investment team aims to understand both the risk opportunity and the long-term risk-adjusted return. Specifically, the team seeks to break down the entire value chain for each investee company, which is intended to highlight any involvement through production, distribution or related products and practices with industries considered to be high risk.

Although Devon does not explicitly exclude individual stocks based on ESG criteria, these factors do influence its level of confidence and consequently may impact the size of a stock's position within the portfolio. The specific factors considered may vary depending on the type of security being assessed. These include:

- Corporate governance (board structure, executive remuneration, track record of capital allocation, management incentives, labour relations);
- Shareholder's rights (election of directors, capital amendments);
- Impact of regulatory changes (GHG restrictions, governance codes);
- Physical threats (extreme weather, climate change, water shortage);
- Brand and reputation issues (poor health and safety record, cyber security breach);
- Supply Chain Management (increase in fatalities, labour relations);
- Work practices (observation of health, safety and human rights provisions and compliance with provisions with the Modern Slavery Act); and
- Alignment with the goals of the Paris Agreement to meet net zero GHG emissions by 2050.

Devon also acknowledges the importance of third-party ESG research and opinion in their investment process and utilises these external resources on both current and prospective investments.

Enhanced due diligence

Devon's pursuit of long-term growth opportunities typically involves investment in disruptive and technology driven businesses. These companies are often capital light, with a low carbon footprint. However, where sustainability risk is deemed to be high, the investment will be subjected to enhanced due diligence measures on a risk-based approach.

Devon conducts this additional analysis to gain a deeper understanding of the underlying factors driving these risks. This involves assessing whether these deficiencies pose a material risk to the investment case and evaluating the investee company's management team's strategy to address these issues.

These elements will then be debated within the investment team to assess and understand the potential material risks and opportunities related to sustainability in order to optimise long-term risk-adjusted returns.

ESG & ENGAGEMENT REPORT *continued*

By way of example, GTT and Neste, each have more than 10% of their revenue originated from oil and gas (one of the industries considered as high risk):

Gaztransport Et Technigaz (GTT)

GTT is a French engineering company specialising in containment systems for Liquefied Natural Gas (LNG) carriers and onshore storage.

Demand for their systems is predominantly driven by the outlook for seaborne Liquefied Natural Gas volumes, placing environmental considerations at the heart of the investment case.

The key question revolves around the nature and pace of the transition in the energy mix towards net zero. We believe LNG is essential to lowering emissions within the energy mix and will represent the major 'transition fuel' over the next 20-30 years.

At present, base load power requirements can only be satisfied by fossil fuels or nuclear power. Renewables could only fulfil this role with the installation of mass battery storage, yet the requisite scale, reliability, and cost competitiveness for such technology is unlikely to exist in the foreseeable future.

The other credible possibility to contribute to base load power would be entirely new energy sources, of which hydrogen garners the most attention. Devon's research indicates green hydrogen at commercial, grid level scale is 20-30 years away from being a meaningful portion of the energy mix.

Given the political and economic controversies surrounding incremental nuclear power capacity, Devon believes fossil fuels will remain part of the energy mix for the next 20-30 years. As the least polluting of the fossil fuels, LNG will gain share within the energy mix as countries and companies lower their emissions. Specifically, Devon believes LNG will play a leading role in transforming the energy mix of North Asian economies in the coming decades. Coal to gas switching is well established in China and set to accelerate. Japan and Korea also retain high share of coal in their existing energy mix, and will look to LNG as a cornerstone of future energy strategy.

Confidence in LNG's role as the 'transition fuel' is reflected in the activities of leading producers: the long-term investment plans of many oil majors include a substantial increase in LNG output over the next 10-20 years (despite generally limited net increase in hydrocarbon production). The three mega LNG projects (Qatar, Arctic Russia, Mozambique) remain on schedule.

When considering the goal of net zero carbon emissions, Devon believes LNG (and by extension GTT) will play an important role. This conclusion is central to the investment case.

Neste

Neste Corporation is a Finnish company that specialises in renewable fuels, renewable chemicals, and sustainable solutions. It is a pioneer and market leader in the move to renewable based fuels, notably sustainable aviation fuels (SAF).

Aviation will be one of the most challenging sectors to decarbonise, and adoption of SAF will represent the largest driver of CO2 reduction over the coming 10-20 years.

All of Neste's incremental capital allocation is focused on the renewables business, making this segment central to the investment case. By extension, we anticipate the oil refining business declining in importance over the coming years - lowering any future risks posed by their current exposure to oil-based products.

In its efforts in promoting a circular economy by using waste and residues as raw material for their products, it contributes to reducing greenhouse gas emissions and mitigate climate change.

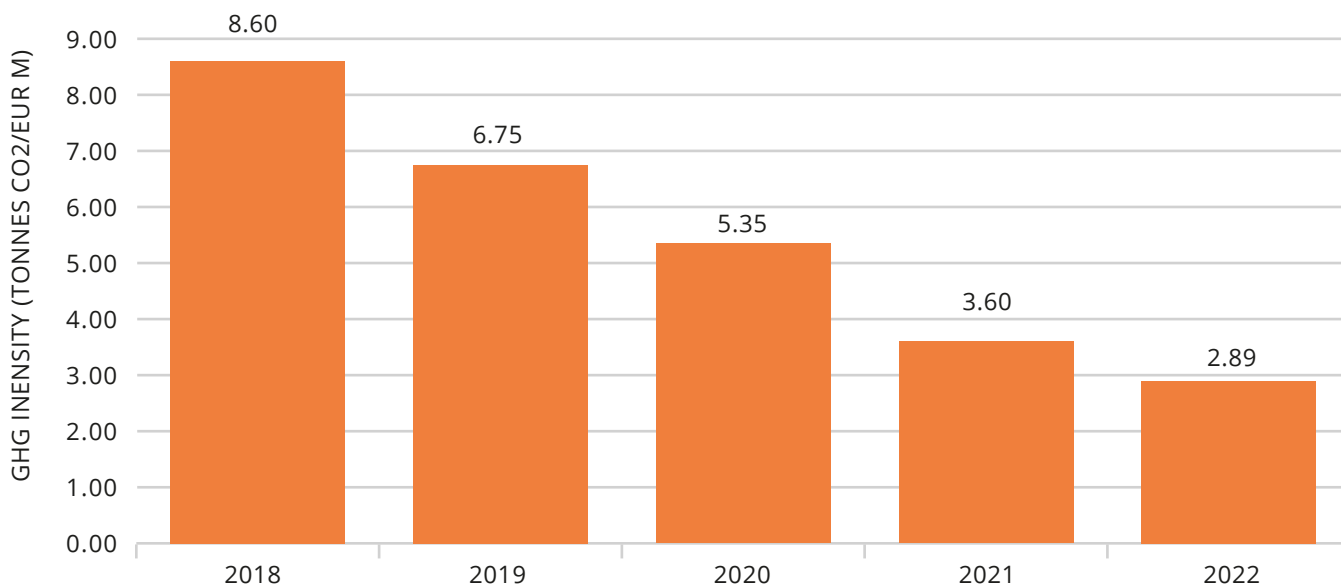
ESG & ENGAGEMENT REPORT continued

Ongoing monitoring

Devon measures the level 1 and level 2 GHG emissions of its investee companies as defined by the Greenhouse Gas Protocol. Scope 1 emissions are the direct emissions produced by the investee company, while Scope 2 emissions are the indirect emissions associated with their activities.

Devon measures the emissions of all of the Company's investee companies. For example, one of the largest holdings, **Experian's** evolution of GHG Intensity (Tonnes Co2/EURm) may be illustrated as follows:

Experian's 1 and level 2 Greenhouse Gas intensity

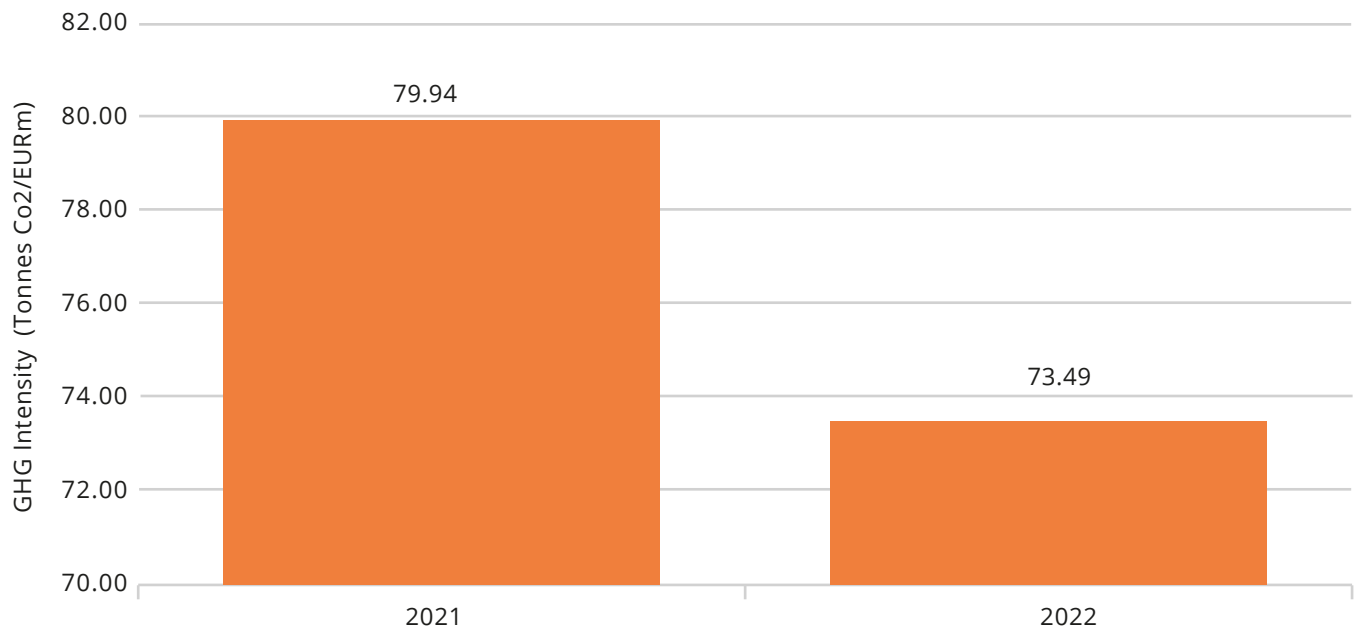


Source: Company disclosure.

Greenhouse Gas (GHG) intensity measurement of a company refers to the quantification of GHG emissions produced by a company in relation to a specific unit of its output or activity. It is a measure of the environmental impact of a company's operations, expressed as the amount of GHG emissions emitted per unit of production, revenue, or any other relevant metric. GHG intensity measurement enables companies to assess and track their emission efficiency over time, compare their performance with industry benchmarks, and identify opportunities for emission reductions. By calculating GHG intensity, companies can evaluate the effectiveness of their sustainability efforts and make informed decisions to mitigate climate change impacts.

ESG & ENGAGEMENT REPORT *continued*

The development of GHG emissions at a portfolio level over the last two years may be illustrated with the Company's weighted average carbon intensity as follows:



Source: Investee company disclosures; companies within the portfolio as at 31 May 2023.

Emissions data is obtained from third-party providers and directly from investee companies, which includes disclosures about GHG emissions and environmental targets (when available). The portion of the portfolio's assets invested in companies disclosing Carbon emission Intensity was 99.71% in 2021 and 98.68% in 2022.

Stewardship, engagement and Devon's voting record

Investment stewardship refers to the responsible management and oversight of investments on behalf of shareholders. Devon's goal is to maximise the value of the investment portfolio while considering the environmental, social and governance (ESG) factors that may affect the long-term performance and sustainability of the investments. It focuses on active ownership and engagement with the companies in which the investments are made, rather than solely relying on passive investing.

Stewardship represents a fundamental part of the Devon's active investment approach. Devon is a signatory of the United Nations Principles for Responsible Investment and is compliant with the UK Shareholder Code.

By engaging with companies, Devon seeks to build constructive relationships with them, to better inform their investment activities and, where necessary, effect change within our holdings, ultimately with the goal of achieving better returns for our shareholders. Devon's concentrated, long-term approach affords particular opportunities to engage with management teams on issues relating to culture, governance, and sustainability.

Ongoing engagement permits Devon the opportunity to:

- engage in a dialogue to address concerns;
- gain insight into proposed remedial measures; and
- influence behaviour and promote best practices contributing to long-term success.

ESG & ENGAGEMENT REPORT *continued*

Examples of ESG matters discussed through engagement in the period under review included: Remuneration policy; Board composition; Workforce engagement; Shareholder structure; Voting structure; Diversity strategy; Health and safety; Energy transition; Capital allocation; Sustainability strategy; Labour rights; Human rights; Remuneration; and Climate change / GHG emissions.

For example, Devon engaged with **Oxford Instruments** on its remuneration policy. Devon had active discussions with the chair of the remuneration committee and the senior independent director. This engagement followed a rigorous consultation process related to proposed changes to the directors' remuneration policy for the years 2024 to 2027. The essence of this consultation was shared with major shareholders in a letter that presented the proposed policy changes and provided a comprehensive summary of the revisions alongside a revised performance share plan.

Throughout the consultation, Devon had a constructive dialogue and expressed their considered views and opinions regarding the remuneration policy. One of the key points raised pertained to Devon's preference for a more robust and concrete approach to performance assessment, advocating the use of 'hard' investment-related targets over more subjective and 'soft' ESG criteria.

Additionally, Devon articulated reservations about executive rewards being tied to share price performance. Instead, Devon advocated executive compensation to be directly tied to the specific responsibilities overseen, rather than being heavily dependent on fluctuating share prices.

Pursuant to this engagement Devon acknowledged the positive aspects of the proposed policy changes, finding them reasonable and helpful in addressing certain aspects of executive remuneration and offered their support for its implementation.

The engagement with Oxford Instruments on the subject of their remuneration policy was productive and insightful, providing an opportunity for constructive dialogue and ultimately contributing to the enhancement of directors' remuneration policy for the future.

To cite one more example, in May 2023 Devon voted against **BioMérieux's** resolutions to disapply pre-emptive subscription rights for capital increases of up to 20% and 35%, respectively.

Devon was concerned that allowing the company to raise capital without granting existing shareholders the opportunity to buy the new shares first, in proportion to their current ownership, could potentially disadvantage them. As a result, Devon voted against the resolution. Although there are good reasons for the disapplication of pre-emption rights, Devon takes the view that companies should limit the practice to 10% of the issued share capital in order to protect the interests of existing shareholders and to promote better corporate governance.

Voting record

In addition to direct engagement, Devon understands that voting is a critical aspect of corporate stewardship. The Board has given discretionary voting powers to Devon and, wherever practicable, Devon will exercise all voting rights associated with the shares held in the Company's portfolio.

Devon's Corporate Governance Policy & Voting Guidelines and a full annual report of all votes cast on the Company's behalf may be viewed on Devon's website at www.devonem.com. Devon votes on behalf of the Company on all investee company resolutions in accordance with voting guidelines. The votes cast may be summarised as follows for the calendar year ended 31 December 2022:

Total number of shareholder meetings during the year	30
Average number of companies in the portfolio	29
Number of shareholder meetings voted	30
Number of meetings with at least one vote against or withheld	5

ESG & ENGAGEMENT REPORT continued

Further Information

Further information on Devon's approach to ESG, Stewardship and engagement may be found on Devon's website at www.devonem.com, where Devon's detailed proxy voting record and its annual disclosure under the Shareholder Rights Directive may also be inspected.

STRATEGIC REPORT

The Strategic Report has been prepared in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. The Strategic Report seeks to provide shareholders with the relevant information to enable them to assess the performance of the Directors and the Company during the financial year under review as per the requirements for Directors in the Companies Act 2006.

Business and Status

During the year, the Company carried on business as an investment trust with its principal activity being portfolio investment. The Company has been approved by HM Revenue & Customs as an investment trust subject to the Company continuing to meet the eligibility conditions of sections 1158 and 1159 of the Corporation Tax Act 2010 and the ongoing requirements for approved companies as detailed in Chapter 3 of Part 2 of the Investment Trust (Approved Company) (Tax) Regulations 2011. In the opinion of the Directors, the Company has conducted its affairs in the appropriate manner to retain its status as an investment trust.

The Company is an investment company within the meaning of section 833 of the Companies Act 2006. It is not a close company within the meaning of the provisions of the Corporation Tax Act 2010 and it has no employees. The Company is domiciled in the United Kingdom, was incorporated in England & Wales on 16 August 2000 and started trading on 20 November 2000. The Company is an Alternative Investment Fund (AIF) for the purposes of the UK Alternative Investment Fund Managers Regulations.

Reviews of the Company's activities are included in the Chair's Statement and the Investment Manager's Review beginning on pages 4 and 8, respectively.

There has been no significant change in the activities of the Company during the year to 31 May 2023 and the Directors anticipate that the Company will continue to operate in the same manner during the current financial year.

Investment policy

The Company will, at all times, invest and manage its assets, with the objective of spreading risk and in accordance with the following Investment Restrictions:

- no single holding shall constitute more than 10% of the Company's total assets (calculated at the time of investment). The Board will pay particular attention to holdings which grow to represent more than 10% of total assets;
- the Company will not invest in unlisted securities;
- the Company will not invest in derivative instruments, whether for efficient portfolio management, gearing or investment purposes;
- the Company will not invest in other listed closed-ended investment funds;
- the Company shall not take legal or management control over any investments in its portfolio; and
- not more than 50% of the Company's investments may be in securities which are not qualifying securities or government securities for the purposes of the UK ISA Regulations.

The Board is responsible for promoting the long-term success of the Company for the benefit of all stakeholders and in particular its shareholders. Although the majority of the day-to-day activities of the Fund are delegated to the Investment Manager and third-party service providers, the responsibilities of the Board are set out in the schedule of matters reserved for the Board and the relevant terms of reference of its Committees, all of which are reviewed regularly by the Board.

To ensure that the Board is able to discharge this duty, both the Investment Manager and third-party service providers are required to provide the Board with regular updates. In addition the Directors, or the Board as a whole, have the authority to seek advice from professional advisers including the Company's service providers and independent external advisers as well as attend any relevant training seminars.

STRATEGIC REPORT *continued*

Any material change in the investment policy of the Company described above may only be made with the approval of shareholders by an ordinary resolution.

Investment Approach

The Investment Manager adopts a stock picking approach in the belief that a thorough analysis and understanding of a company is the best way to identify long-term superior growth prospects. This understanding begins with identifying those companies where the ownership structure and incumbent management are conducive to the realisation of the aim of achieving superior long-term earnings growth.

The Investment Manager seeks to identify companies which enjoy certain key business characteristics including some or all of the following:

- a strong management record and team, and the confidence that the Investment Manager has in that management's ability to explain and account for its actions;
- proprietary technology and other factors which indicate a sustainable competitive advantage;
- a reasonable expectation that demand for their products or services will enjoy long-term growth;
- an understanding that structural changes are likely to benefit rather than negatively impact that company's prospects; and
- the ESG criteria described on page 20.

In analysing potential investments, the Investment Manager employs differing valuation techniques depending on their relevance to the business characteristics of a particular company. However, the underlying feature will be the sustainability and growth of free cash flow in the long term.

Portfolio risk

Portfolio risk is mitigated by investment in a diversified spread of investments. The Investment Manager is not constrained by Benchmark weightings, sector, geographical location within Europe or market capitalisation or size of investee companies.

Benchmark index

The Company's Benchmark is the total return on the MSCI Europe index in GBP.

Borrowing limits

The Board considers that long-term capital growth can be enhanced by the use of gearing through bank borrowings. The Board considers that the Company's level of gearing should be maintained at appropriate levels, with sufficient flexibility to enable the Company to adapt at short notice to changes in market conditions.

The Board oversees the level of gearing in the Company and reviews the position with the Investment Manager on a regular basis. In normal circumstances the Board does not expect the level of gearing to exceed 20% of the Company's total assets (calculated at the time of borrowing).

Future developments

It is the Board's ambition to grow the asset base of the Company through a combination of organic growth and new issuance of shares (where there is an opportunity to do so at a premium to NAV). The Investment Manager is encouraged to use the particular advantages of the Company's investment trust structure to enhance potential returns to shareholders, including the use of gearing and the freedom to hold high conviction positions through periods of market fluctuations.

STRATEGIC REPORT *continued*

Planned life of the Company

The Articles of Association of the Company provide that at every third Annual General Meeting an ordinary resolution be proposed that the Company shall continue in being as an investment trust. If such resolution is not passed, the Directors shall, within 90 days of the date of the resolution, put forward to shareholders proposals (which may include proposals to wind up or reconstruct the Company) whereby shareholders are entitled to receive cash in respect of their shares equal as near as practicable to that which they would be entitled on a liquidation of the Company at that time (and whether or not shareholders are offered other options under the proposals).

The next scheduled continuation vote will be at the forthcoming 2023 Annual General Meeting. Shareholders should note that the valuation policies used to produce these Accounts on a going concern basis might not be appropriate if the Company were to be liquidated.

Dividend policy

The Company's objective is to achieve shareholder returns through capital growth rather than income. However, in order to qualify for approval as an investment trust, the Company is not permitted to retain more than 15% of eligible investment income arising during any accounting period. Accordingly, the Board's policy is to propose a modest annual dividend and one at least sufficient to enable the Company to maintain its investment trust status.

Management

The Company has no employees and most of its day-to-day responsibilities are delegated to the Investment Manager.

J.P. Morgan Europe Limited acts as the Company's depositary and the Company has entered into an outsourcing arrangement with J.P. Morgan Chase Bank N.A. for the provision of accounting and administration services.

Although Devon Equity Management Limited is named as the Company Secretary at Companies House, J.P. Morgan Europe Limited provides all company secretarial services to the Company as part of its formal mandate to provide broader fund administration services to the Company.

Risk management & internal controls

The Board has established an ongoing process for identifying, evaluating and managing significant risks faced by the Company. This is described in more detail on page 31.

Viability statement

In accordance with the Code of Corporate Governance issued by the Association of Investment Companies (AIC) in February 2019 (the 'AIC Code'), the Board has assessed the longer-term prospects for the Company beyond the twelve months required by the going concern basis of accounting. The period assessed is for five years to 31 May 2028.

The Directors' view of the Company's viability has not changed since last year. The Company, as an investment trust, is a collective investment vehicle rather than a commercial business venture and is designed and managed for long-term investment. The Company's investment objective is to achieve long-term capital growth and the Board regards the Company's shares as a long-term investment. 'Long-term' for this purpose is considered by the Directors to be at least five years, a timeframe in which the accuracy of estimates and assumptions is deemed to be reasonable. The Company's viability has thus been assessed over that period. Five years is considered a reasonable time frame for a forecast, however, the life of the Company is not intended to be limited to that or any other period.

There are no current plans to amend the investment strategy, which has delivered good investment performance with NAV total returns ahead of the Benchmark since launch and over the past ten years. The Directors believe that the Company should continue to perform despite more recent underperformance of the Benchmark over one, three and five years. The investment strategy and its associated risks are kept under constant review by the Board.

STRATEGIC REPORT *continued*

In assessing the viability of the Company under various scenarios, the Directors undertook a robust assessment of the principal risks and uncertainties to which it is exposed (including the issues arising from the COVID-19 pandemic, Russia's invasion of Ukraine and climate change), as set out on page 31 together with mitigating factors. The risks of failure to meet the Company's investment objective, and contributory market and investment risks, were considered to be of particular importance. The Directors also took into account: the investment capabilities of Devon; the liquidity of the portfolio, with nearly all investments being listed and readily realisable; the Company's borrowings (the Company maintains a relatively low level of gearing and has at all times been comfortably compliant with its loan to value and other covenant obligations to its lender, The Bank of Nova Scotia, London Branch); the ability of the Company to meet its liabilities as they fall due; the Company's annual operating costs and that, as a closed ended investment trust, the Company is not affected by the liquidity issues of open-ended companies caused by large or unexpected redemptions.

In taking account of these factors and pursuant to the Board's review of the detailed internal controls and risk management processes described on page 44, the Directors have undertaken a reverse stress test seeking to identify the financial circumstances that might result in the Company becoming unviable. This concluded that the viability of the Company might start to be challenged if the value of Total Shareholders' Funds were to fall permanently by approximately 80% from the level at the year end, a fall that the Board considers to be near implausible having noted that since the launch of the Company in November 2000, the largest fall in the Company's Benchmark, the total return on the MSCI Europe index, over any calendar year has been 34.4% and the largest fall over any rolling five year period has been 14.5% (each based on Benchmark calendar month end values).

As part of its assessment, the Board has noted that shareholders are required to vote on the continuation of the Company at three-year intervals, the next vote being at the forthcoming Annual General Meeting. The Board has sought and received feedback from shareholders and is confident that the continuation vote will be passed.

Based on the above, and assuming there is no adverse change to the regulatory environment and tax treatment of UK investment trusts to the extent that would challenge the viability of the UK investment trust industry as a whole, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of assessment.

The Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern Statement in the Directors' Report on page 43.

STRATEGIC REPORT continued

Key Performance Indicators

At the quarterly Board meetings, the Directors consider a number of performance indicators to help assess the Company's success in achieving its objectives. The key performance indicators used to measure the performance of the Company over time are as follows:

Share price total return

to 31 May 2023	1 year (%)	3 years (%)	5 years (%)	10 years (%)
The Company	5.0	4.8	4.0	100.9
MSCI Europe index, total return in GBP (Benchmark)	6.9	36.4	34.6	104.4
AIC Europe peer group ¹	12.9	34.9	49.7	153.2

Net asset value total return

to 31 May 2023	1 year (%)	3 years (%)	5 years (%)	10 years (%)
The Company	3.3	8.2	15.1	127.8
MSCI Europe index, total return in GBP (Benchmark)	6.9	36.4	34.6	104.4
AIC Europe peer group ¹	10.0	32.6	46.4	149.8

(Discount)/premium

As at 31 May	2023 (%)	2022 (%)	2021 (%)
The Company	(10.9)	(12.3)	(9.0)
AIC Europe peer group ¹	(8.3)	(10.3)	(5.1)

Ongoing charges

For the year ended 31 May	2023 (%)	2022 (%)	2021 (%)
The Company	1.02	1.02	0.99
AIC Europe peer group ¹	0.88	0.85	0.85

¹ The AIC Europe peer group data is available at www.theaic.co.uk.

There were 7 investment trusts in the AIC Europe sector as at 31 May 2023. The Board monitors the Company's performance in relation to both the investment trust market as a whole and the companies within the geographical sector which the Board considers to be its peer group.

Discount to net asset value

The Company's discount management policy is described in the Chair's Statement on page 5.

Under the Listing Rules, the maximum price that may currently be paid by the Company on the repurchase of any ordinary shares is 105% of the average of the middle market quotations for the ordinary shares for the five business days immediately preceding the date of repurchase. The minimum price is the nominal value of the ordinary shares.

The Board is proposing that its authority to repurchase up to approximately 14.99% of its issued share capital should be renewed at the Annual General Meeting. The new authority to repurchase will last until the conclusion of the Annual General Meeting of the Company in 2024 (unless renewed earlier). Any repurchase made will be at the discretion of the Board considering prevailing market conditions and within guidelines set from time to time by the Board, the Companies Act, the Listing Rules and the Disclosure, Guidance and Transparency Rules of the FCA.

STRATEGIC REPORT *continued*

Treasury Shares

In accordance with the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, any ordinary shares repurchased, pursuant to the above buy back authority, may be held in treasury. These ordinary shares may subsequently be cancelled or sold for cash. This gives the Company the ability to reissue shares quickly and cost effectively and provide the Company with additional flexibility in the management of its capital. The Company may hold in treasury any of its ordinary shares that it purchases pursuant to the share buyback authority granted by shareholders. During the financial year the Company repurchased 4,126,242 ordinary shares to be held in treasury at an average discount of 14.22% (2022: 4,052,000).

Ordinary shares held in treasury may only be reissued by the Company at prices representing a premium to the net asset value per ordinary share as at the date of re-issue.

Principal risks and Uncertainties

In accordance with the AIC Code, the Board is responsible for establishing procedures to manage risk, oversee the internal control framework, and determine the nature and extent of principal risks the Company is willing to take in order to achieve its long-term strategic objectives. The Board has overall responsibility for the Company's systems of internal controls and for reviewing their effectiveness. The Board, with the support of the Audit & Risk Committee and the Investment Manager, has carried out a robust assessment of the principal and emerging risks which may impact the Company. The principal risk factors that may affect the Company and its business can be divided into the following areas:

Risk and Impact	How the risk is managed	Change*	Current assessment of risk
<p>Investment Strategy Risk Pursuing an investment strategy to fulfil the Company's objective which the market perceives to be unattractive or inappropriate, or the ineffective implementation of an attractive or appropriate strategy, may lead to reduced returns for shareholders and, as a result, a decreased demand for the Company's shares. This may lead to the Company's shares trading at a widening discount to their net asset value.</p>	<p>To mitigate these risks the Board reviews the Company's investment objective and policies and the Investment Manager's investment approach in the context of past performance (relative to Benchmark), shareholder feedback and broader market and economic conditions. The Board sets mandate restrictions as necessary.</p> <p>The Board reviews the long-term succession plans prepared by the Investment Manager and takes into consideration the availability of suitably experienced personnel to manage the Company's portfolio in the short-term in the event of an emergency.</p> <p>The Board has established a discount management policy and regularly considers its ongoing appropriateness in light of market conditions. In addition to seeking annual shareholder approval to its share buy-back authority, the Board also puts a continuation vote to every third AGM of the Company (the next scheduled to take place at the forthcoming AGM).</p>	<p>↑</p>	<p>Increasing: The Company's shares have traded at a wider average discount during the year than the Board would wish. The Board has engaged with Shareholders in anticipation of the Continuation vote at the forthcoming AGM.</p>

* ↑ Increased risk environment
→ Stable risk environment
↓ Decreased risk environment

STRATEGIC REPORT continued

Risk and Impact	How the risk is managed	Change*	Current assessment of risk
<p>Investment Risks The Company's assets consist of listed securities and its principal financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk.</p>	<p>To mitigate this risk the Board considers various portfolio metrics including individual stock performance, the composition and diversification of the portfolio by industry sector, purchases and sales of investments, the holding period of each investment and the top and bottom contributors to performance. The Manager provides rationale for stock selection decisions. The Board also considers the macro-economic and geopolitical risks and uncertainties that the Company is exposed to.</p> <p>The Company does not take active positions in currencies, nor does it invest in fixed income securities.</p> <p>The Investment Manager mitigates liquidity risk by investing in a diversified portfolio of highly liquid, exchange-traded equities and by adhering to the Board's concentration limits on individual holdings. The Board has set a policy that the Company will not invest in unlisted securities.</p> <p>The Investment Manager does not invest in countries which are subject to sanctions or exposed to significant political risk.</p>	<p>→</p>	<p>Stable: This risk is seen to be high, but stable since 2022 reflecting the continuing Russian invasion of Ukraine and inflation levels.</p>

* ↑ Increased risk environment
 → Stable risk environment
 ↓ Decreased risk environment

STRATEGIC REPORT *continued*

Risk and Impact	How the risk is managed	Change*	Current assessment of risk
<p>Operational Risks Key risks and uncertainties include a cybercrime event or an IT systems failure which compromises the Company's data or the Investment Manager's ability to manage the Company's portfolio; inadequacy of disaster recovery planning to ensure continuity of the Investment Manager's operations; or the inadequacy of the oversight and controls undertaken by the Custodian, the AIFM or the Investment Manager in relation to the Company.</p>	<p>The Board relies on the cyber security and IT risk management tools implemented by the Investment Manager and the Custodian to prevent cyber-attacks. The Investment Manager uses a well established third-party IT system (Bloomberg) for all trading activity on behalf of the Company.</p> <p>The Board is reliant on the Investment Manager and its key third-party service providers to ensure that appropriate measures are in place in order that critical operations can be maintained at all times. The Investment Manager is aligned with the Operational Resilience requirements set out by the FCA and regularly tests its business continuity capabilities.</p> <p>The Board considers the internal controls of the Investment Manager and all key third-party service providers on at least an annual basis. System-enforced controls are in place in each case which alert staff in oversight and compliance roles of any breaches. Similarly, 'Four eye' checks are mandated for all manual controls to ensure there is sufficient oversight over actions taken.</p>	→	<p>Stable: All control procedures are working effectively. There have been no material operational issues that have impacted the Company during the year.</p>

* ↑ Increased risk environment
→ Stable risk environment
↓ Decreased risk environment

STRATEGIC REPORT continued

Risk and Impact	How the risk is managed	Change*	Current assessment of risk
<p>Legal and Regulatory Risks Key risks and uncertainties include: the risk of non-compliance with existing regulatory or legal requirements, including resultant negative PR implications; adverse implications of regulatory change; or changes to the Company's policies and reporting obligations in relation to sustainability and ESG risks.</p>	<p>The Board relies on the services of the Investment Manager, its broker and J.P. Morgan to report changes in and to ensure compliance with all applicable laws and regulations including the Companies Act 2006, the Listing Rules and the Alternative Investment Fund Managers Regulations.</p> <p>The Audit & Risk Committee reviews the performance of the external auditors and the effectiveness of the independent audit process on an annual basis. The experience of the auditors in financial accounting and auditing standards is reviewed to ensure that changes in audit standards are anticipated, understood and complied with.</p> <p>The Board is reliant on the Investment Manager to ensure that appropriate measures are in place to ensure that its approach to ESG investing is appropriately defined and adhered to. The Investment Manager has developed and implemented its stated ESG policy.</p> <p>Legal and regulatory changes are monitored at each Board meeting and compliance with the AIC Code is fully considered annually.</p>	<p>→</p>	<p>Stable: All control procedures are working effectively. There have been no material legal or regulatory changes that have impacted the Company during the year.</p>

- * ↑ Increased risk environment
- Stable risk environment
- ↓ Decreased risk environment

Emerging Risks

Emerging risks that could impact the Company in the future are considered at each Board meeting, along with any potential mitigating actions. Artificial Intelligence, inflation, the impact of the ongoing war in Ukraine and climate each pose emerging risks to the Company beyond the principal risks described above. While these risks currently exist, their extent and long-term impact are yet to emerge but they are regularly assessed by the Investment Manager. The Board is kept informed through its advisers and the Investment Manager regarding any political, economic, legal or regulatory change that is anticipated may significantly affect the Company.

Effectiveness of internal controls

In accordance with the AIC Code, the Board has carried out a review of the effectiveness of the system of internal control as it has operated over the year and up to the reporting date of this Annual Report and Accounts. Further information on the principal risks the Company faces in its portfolio management activities is disclosed in Note 18 of the Accounts.

STRATEGIC REPORT *continued*

Directors

Biographical details of the Directors can be found on page 39 and the Board's policy on diversity can be found on page 49. The Board currently comprises three male Directors and three female Directors.

Modern Slavery statement

The Modern Slavery Act 2015 requires certain companies to prepare a slavery and human trafficking statement. The Company does not fall within the scope of the Modern Slavery Act and therefore no slavery and human trafficking statement is included in the Annual Report.

The Board nevertheless requires regular confirmation from each of its third-party suppliers, at least once a year, of their compliance with the UK Modern Slavery Act. The Board also requires each supplier to have sufficient measures in place to align with the requirements outlined in the Bribery Act 2010 and the Criminal Finances Act 2017. Specifically, the Company has obtained assurances from each of its primary suppliers that they adhere strictly to a zero-tolerance policy regarding the provision of services that would contravene The Modern Slavery Act, the Bribery Act or the Criminal Finances Act.

Publication of Devon's formal policy statements

Devon has implemented several policy statements that guide their management of the Company's investment portfolio. These policies are reviewed at least annually and include:

- **ESG Policy:** This policy outlines Devon's approach to Environmental, Social and Governance factors in their investment process. It highlights the commitment to considering ESG issues and integrating them into their decision-making.
- **Sustainability Risk Policy:** This policy addresses the identification, assessment and management of sustainability risks within Devon's investment activities. It ensures that sustainability risks are duly taken into account and monitored to safeguard long-term performance.
- **Remuneration Policy:** This policy is designed to comply with the requirements of SFDR Level 1 and governs the remuneration practices within Devon. It aligns with sustainability considerations and aims to support Devon's overall objectives.
- **Engagement Policy:** This policy outlines Devon's approach to engaging with investee companies and exercising their voting rights as shareholders. It also includes the annual disclosure of votes cast, demonstrating commitment to transparency.
- **SFDR:** Devon complies with the reporting obligations set out in the EU Sustainable Finance Disclosure Regulations (SFDR), which require disclosures related to sustainability and environmental considerations.

In publishing these policies, Devon seeks to demonstrate its commitment to transparency, responsible investment practices and compliance with regulatory requirements. These policy statements, along with associated disclosures, can be downloaded from Devon's website at www.devonem.com.

Section 172 statement

Under section 172 of the Companies Act 2006, the Directors have a duty to act in the way they consider, in good faith, would be most likely to promote the long-term 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 need to foster the Company's business relationships with our stakeholders which includes our shareholders, service providers such as the Investment Manager, AIFM and other relevant parties as listed below;
- the need to act independently by exercising reasonable skill and judgement;
- the impact of the Company's operations on the community and the environment;

STRATEGIC REPORT *continued*

- the requirement to avoid a conflict of interests;
- the desirability of the Company maintaining a reputation for high standards of business conduct;
- the need to act fairly between members of the Company; and
- the need to declare any interests in proposed transactions.

As an investment trust, the Company has no employees, customers or physical assets; its stakeholders include its shareholders and its service providers, including its Investment Manager, its former AIFM, Depositary, Custodian, Lender, Registrar, Auditors, Broker and Administrator, each as identified on pages 94 and 95.

The Board considers that the interests of the Company's key stakeholders are aligned, in terms of wishing to see the Company deliver sustainable long-term capital growth, in line with the Company's stated objective and strategy, and meet the highest standards of legal, regulatory, and commercial conduct, with the differences between stakeholders being merely a matter of emphasis on those elements.

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.

Whilst the Company's operations are limited, as third-party service providers conduct all substantive operations, the Board is aware of the need to consider the impact of the Company's investment strategy and policy on wider society and the environment. The Board considers that its oversight of environmental, social and governance (ESG) matters is an important part of its responsibility to all stakeholders and that proper consideration of ESG factors sits naturally with the Company's longstanding aim of providing a sustainable basis for adding value for shareholders. Further details on the Investment Managers' approach to stewardship and examples of engagement are provided on page 23. The remaining sections of this Strategic Report titled 'Relations with the Investment Manager,' 'Engagement with shareholders' and 'Principal decisions taken during the year under review' form part of this Section 172 Statement.

Relations with the Investment Manager

Alexander Darwall, CIO of Devon, continues to be responsible for the portfolio management of the Company on behalf of Devon, supported by Luca Emo Capodilista, Charlie Southern, James Bird and Angus Denison-Smith within his investment team.

Devon was appointed as the Company's AIFM with effect from 1 July 2022. As AIFM, Devon now has responsibility for additional risk oversight in accordance with the requirements of applicable law. The Board regularly meets with Devon and pays particular attention to the control procedures and processes in place at Devon, to ensure that its duties for the Company continue to be handled with the appropriate level of resource and professionalism.

The portfolio activities undertaken by the Investment Manager and the impact of decisions taken are described in the Investment Manager's Review on page 8.

Further information on the annual evaluation of the Investment Manager, to ensure that its continued appointment remains in the best interests of shareholders, is set out under 'Management Engagement Committee' on page 51.

STRATEGIC REPORT *continued*

Engagement with shareholders

The Directors place great importance on engagement with shareholders. The Company reports to shareholders twice a year by way of the Half-Yearly Financial Report and the Annual Report and Accounts. In addition, net asset values are published daily and newsletters are published monthly on the Company's website, www.europeanopportunitiestrust.com. Key decisions are announced to the London Stock Exchange through the Regulatory News Service.

The Company holds an Annual General Meeting. In normal circumstances all 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 Investment Manager and the Company's advisors.

In accordance with the AIC Code, in the event that votes of 20% or more are cast against a resolution at a General Meeting the Company will announce the actions it intends to take to consult with Shareholders to understand the reasons behind the result. A further update will be published within six months. No such votes were received during the year ended 31 May 2023.

The Board seeks to ensure that shareholder views are taken into consideration as part of any decisions taken by the Board. The Chair actively seeks to engage directly with shareholders and has attended a number of meetings with investors during the year. Committee chairs also seek direct engagement with shareholders on specific matters relating to their area of responsibility. The Investment Manager and the Company's brokers also engage with the Company's shareholders and the outcome of these discussions are reported to the Board.

Shareholders are invited to communicate with the Board through the Chair, any Committee Chair or the Company Secretary, as appropriate. 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 94.

The Board ensures that the Directors are able to discharge their duties by, amongst other things, providing them with relevant information and training on their duties. At all times, the Directors can access as a Board, or individually, advice from its professional advisers including their lawyers and Auditors.

Whilst certain responsibilities are delegated, the Board has established terms of reference for its Committees which are reviewed regularly by the Board. The Board has set the parameters within which the Investment Manager operates and these are set out under the terms of the investment management agreement and within the minutes of corresponding Board meetings.

Principal decisions taken during the year under review

The Directors take into account section 172 considerations in all material decisions of the Company.

Examples of how the Company's stakeholders were considered in relation to the principal decisions taken by the Board during the year under review (and post year end) include:

- **Management fee:** During the reporting year the Board engaged with Devon to negotiate a reduction in management fee. Devon is now entitled to receive 0.80% per annum on net assets up to £1 billion; 0.70% per annum on any net assets over £1 billion up to £1.25 billion; and 0.60% per annum on net assets above £1.25 billion. This reduction was effective from 1 June 2023. Previously Devon was entitled to 0.90% per annum on net assets up to £1 billion and 0.80% in respect of any net assets above £1 billion.
- **Succession planning:** The Board, acting on recommendations from the Nomination Committee and an independent search agent, appointed a new independent non-executive Director, Manisha Shukla with effect from 1 September 2023. The Board agreed that Matthew Dobbs would succeed Andrew Sutch as Chair with effect from the close of the 2022 Annual General Meeting. Virginia Holmes was appointed Senior Independent Director and Jeroen Huysinga was appointed chair of the Management Engagement Committee in June 2022. Lord Lamont will take over as Senior Independent Director with effect from Virginia Holmes' retirement at the forthcoming AGM.

STRATEGIC REPORT *continued*

- **Gearing:** On 8 September 2023 the Board entered into a new £85 million loan facility with The Bank of Nova Scotia, London Branch. In order to manage the cost of borrowing the new loan facility includes a floating charge in favour of The Bank of Nova Scotia in relation to amounts drawn down. The previous facility was made on an unsecured basis. The loan facility will enable the Investment Manager to implement the Company's stated gearing policy, as further described in the section entitled 'Borrowing limits' on page 27. It is hoped that through the careful use of gearing, the Investment Manager can enhance shareholder returns.
- **Discount management:** During the year under review the Board has continued to engage with Shareholders and the Company's broker in relation to the Company's share price discount to NAV. When prudent, the Company has bought back shares from the market in order to narrow the discount.

The structure of the Board and its Committees and the decisions it makes are underpinned by the duties of the Directors under the Companies Act, 2006 and the provisions of the AIC Code.

Employees, Human Rights and Community Issues

The Board recognises the requirement to provide information about employees, human rights and community issues. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, there are no disclosures to be made in respect of employees, human rights and community issues.

Gender Representation

At the date of this report, the Board comprised six Directors, three male and three female. The Company has no employees. The Board's policy on diversity is set out on page 49.

Future developments of the Company

The outlook for the Company for the next 12 months is set out in the Chairman's Statement on page 7 and the Managers' Report on page 16.

For and on behalf of the Board

Matthew Dobbs

Chair

21 September 2023

THE BOARD OF DIRECTORS

The Directors of the Company who were in office during the year under review and up to the date of signing of these Accounts in the current financial year were:



Matthew Dobbs

A Director since: 1 September 2021

Last re-elected to the Board: 2022

(Chair of the Board)

Matthew Dobbs retired in 2021 after a 40 year career at Schroders, fulfilling a number of research and portfolio management responsibilities. His full-time investment management role included being head of Global Small Companies and he managed a number of specialist Asian closed and open-ended equity funds. He also sits on the board of the Asia Dragon Trust plc as an independent non-executive director.



Sharon Brown

A Director since: 1 August 2019

Last re-elected to the Board: 2022

(Chair of the Audit & Risk Committee)

Sharon Brown is a non-executive director and chair of the audit committees of The Baillie Gifford Japan Trust PLC and Celtic PLC. Between 1998 and 2013 she was finance director of Dobbies Garden Centres PLC and previously served as a non-executive director and chair of the audit committee of Fidelity Special Values PLC, CT UK Capital & Income Investment Trust PLC and McColl's Retail Group PLC. Ms Brown is a Fellow of the Chartered Institute of Management Accountants.



The Rt Hon Lord Lamont of Lerwick

A Director since: 24 June 2015

Last re-elected to the Board: 2022

(Chair of the Remuneration Committee)

Lord Lamont was Chancellor of the Exchequer from November 1990 to May 1993 and has been a member of the House of Lords since 1998. He was previously a director of NM Rothschild, Rothschild Asset Management, Chelverton UK Dividend Trust plc and Jupiter Second Split Trust PLC.



Virginia Holmes

A Director since: 7 November 2017

Last re-elected to the Board: 2022

(Senior Independent Director since June 2022)

Virginia Holmes is a non-executive director of Intermediate Capital Group plc, Syncona Limited, and Murray international Trust PLC. Ms Holmes is also chair of the board of Trustees of Unilever UK Pension Fund and serves on the supervisory board of Uninvest Company B.V. Her executive career included serving as chief executive of AXA Investment Managers in the UK and more than a decade with the Barclays Bank Group. Ms Holmes will retire from the Board at the conclusion of the upcoming AGM to be held on Wednesday 15 November 2023.

THE BOARD OF DIRECTORS continued



Jeroen Huysinga

A Director since: 1 September 2021

Last re-elected to the Board: 2022

(Chair of the Management Engagement Committee since June 2022)

Jeroen Huysinga managed funds at JP Morgan Asset Management for 23 years until his retirement in 2020. He was formerly a managing director in JPMorgan's global equities team and, prior to joining JP Morgan, he was a Japanese equities specialist at Lombard Odier and, previously, at British Steel Pension Fund. He also sits on the board of the Brain and Spine Foundation as a director. Mr Huysinga has recently completed a Master's Degree in Charity Finance and Administration at the Bayes Business School (formerly CASS) in London.



Manisha Shukla*

A Director since: 1 September 2023

Manisha Shukla is a highly experienced legal adviser with over 20 years of specialisation in investment funds. She qualified as a solicitor in 2000 and has worked in both private practice and in-house, focusing on a broad range of closed-ended listed investment funds. She has been the knowledge counsel for funds for Travers Smith LLP since 2014. Manisha holds a joint LLB in Law and Japanese from Cardiff University.

Andrew Sutch

Andrew Sutch served as a Director and as Chair of the Board until his retirement from the Board on 16 November 2022.

Board Committees

All Directors are members of the Audit & Risk Committee with the exception of the Chair of the Board (who retired from the Committee in February 2023). All Directors are members of the Management Engagement, Nomination and Remuneration Committees.

Board Skills Matrix

The following table indicates the Directors' individual skills and experience complementing the Board's combined skill set:

Name of Board of Directors	Investment Banking	Audit	Financial Reporting	Law	Risk Management
Matthew Dobbs	✓	✓			✓
Sharon Brown		✓	✓		✓
The Rt Hon Lord Lamont of Lerwick	✓	✓	✓		
Virginia Holmes	✓	✓			✓
Jeroen Huysinga	✓	✓			✓
Manisha Shukla				✓	✓

* Manisha Shukla's appointment as a Director on 1 September 2023 is subject to election by Shareholders at the forthcoming AGM.

DIRECTORS' REPORT

The Directors present the Annual Report and Accounts of the Company for the year ended 31 May 2023.

Company overview

The Company is incorporated in England & Wales as a public limited company. It is an investment company as defined in Section 833 of the Companies Act 2006 and its ordinary shares are admitted to the premium segment of the Official List and traded on the main market of the London Stock Exchange. The Company changed its name from Jupiter European Opportunities Trust PLC to European Opportunities Trust PLC on 14 November 2019.

The objective of the Company is to invest in securities of European companies and in sectors or geographical areas which are considered by the Investment Manager to offer good prospects for capital growth, considering economic trends and business development.

The Company operates as an investment trust in accordance with sections 1158 and 1159 of the Corporation Tax Act 2010 (as amended). The Company currently manages its affairs so as to be a qualifying investment trust under the Individual Savings Account (ISA) rules. As a result, under current UK legislation, the ordinary shares qualify for investment via the stocks and shares component of an ISA up to the full annual subscription limit, currently £20,000, in each tax year. It is the present intention that the Company will conduct its affairs so as to continue to qualify for ISA products.

Statement regarding the Annual Report and Accounts

The Board, with the support of the Audit & Risk Committee, has reviewed the Annual Report and Accounts of the Company for the year ended 31 May 2023 and considers 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. Further information is provided in the Strategic Review.

There were no instances where the Company is required to make disclosures in respect of Listing Rule 9.8.4 during the financial year under review.

Disclosure of information to the Auditors

The Directors are not aware of any relevant audit information of which the Company's Auditors are unaware. The Directors also confirm that they have taken all the steps required of a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Results and dividends

The results for the year are set out in the Income Statement and the Statement of Financial Position on pages 71 and 72 and the Notes to the Accounts from page 75.

The Board recommends payment of a final dividend of 3.5p to shareholders at this year's Annual General Meeting. Subject to shareholder approval, the final dividend will be paid on 27 November 2023 to shareholders who are on the register at close of business on 3 November 2023 with an ex-dividend date of 2 November 2023.

Share capital

As at 31 May 2023 the Company's issued share capital consisted of 112,875,331 ordinary shares of 1 pence each, of which 14,417,733 were held in treasury. The total number of voting rights in the Company as at 31 May 2023 was 98,457,598. Since the financial year end, as at 18 September 2023, the Company had purchased a further 1,670,207 ordinary shares to be held in treasury.

All the Company's shares are fully paid and carry one vote per share. The ordinary shares carry no additional obligations or special rights. There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that affect its control following a takeover bid; and no agreements between the Company and its Directors concerning compensation for loss of office. The Company has no employees and therefore does not have an employee share scheme.

DIRECTORS' REPORT continued

Notifiable interests in the Company's voting rights

In accordance with the FCA's Disclosure and Transparency Rules, the Company had been formally notified of the following substantial interests in the ordinary shares amounting to 3% or more of the voting rights held in the Company as at 31 May 2023.

Shareholder	Shares held at date of disclosure	% total voting rights at date of disclosure
Allspring Global Investments	12,168,182	12.05
1607 Capital Partners, LLC	12,183,629	12.01
Alexander Darwall	5,305,572	5.28

Directors

A list of the Directors of the Company and their biographies can be found on pages 39 and 40. Andrew Sutch retired as a Director of the Company on 16 November 2022 and Manisha Shukla was appointed subsequent to the financial year end on 1 September 2023. All other Directors held office throughout the financial year.

The Board has adopted a policy that all Directors should stand for re-election on an annual basis in line with provision 7.2 of the AIC Code. The Board, with the support of the Nomination Committee, is satisfied that the performance of each of the Directors continues to be effective and is satisfied that each Director demonstrates commitment to their role. The Board recommends the re-election of each of the Directors (and election in the case of Manisha Shukla) at this year's Annual General Meeting.

Directors' remuneration and interests in the Company's shares

The Directors' Remuneration Report and Policy on page 56 provides information on the remuneration and shareholdings of the Directors.

Directors' and Officers' Liability Insurance and Indemnification

During the year under review the Company purchased and maintained liability insurance for its Directors and Officers as permitted by Section 233 of the Companies Act 2006.

The Company has indemnified each of its Directors to cover any liabilities that may arise to a third party, as defined by Section 234 of the Companies Act 2006. This indemnity was in force during the financial year and at the date of approval of these Accounts.

Each Director has a statutory duty to avoid a situation where he/she has or might have a direct or indirect interest which conflicts or might conflict with the interests of the Company unless, in accordance with the Articles of Association, the relevant conflict or potential conflict has been authorised by the Board.

The Directors have declared all potential conflicts of interest with the Company. No Director holds:

- shared directorship of any commercial company with other Board members; or
- any other directorships of investment funds managed by the Investment Manager; or
- any shareholdings in the Investment Manager; or
- any current or historic employment by the Investment Manager or other connections to the Company or the Investment manager; or
- a significant shareholding in companies where the Company has a notifiable stake in the same company or where the Company has a holding which amounts to more than 1% of the Company's portfolio.

DIRECTORS' REPORT *continued*

Each Director must obtain the Board's approval prior to accepting any significant new appointment.

The register of potential conflicts of interests is reviewed regularly by the Board and each Director will advise the Company Secretary as soon as they become aware of any potential conflicts of interest. Directors who have potential conflicts of interest will not take part in any discussions which relate to any of their potential conflicts.

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.

Bribery prevention policy

The provision of bribes of any nature to third parties in order to gain a commercial advantage is prohibited and is a criminal offence. The Board takes its responsibility to prevent bribery very seriously. To aid the prevention of bribery being committed for the benefit of the Company, Devon has adopted a Bribery Prevention Policy. Devon will advise any changes to the policy to the Board. Directors are also required to declare any gifts or entertainment received in relation to their roles as Directors and these are entered on a gift register which is reviewed at quarterly Board meetings.

Management arrangements

Devon Equity Management Limited ('Devon') acted as the Company's AIFM in relation to the financial year ended 31 May 2023 with effect from its appointment, in place of Fundrock Partners Limited, on 1 July 2022 and has been responsible for the Company's portfolio management since November 2019. A summary of the management fees payable and paid during the year is set out in Note 19 to these Accounts on page 89.

J.P. Morgan Europe Limited ('J.P. Morgan Europe') acts as Depositary to the Company for cash monitoring, safekeeping of financial instruments and other assets and oversight. J.P. Morgan Europe has entered into an internal delegation agreement with J.P. Morgan Chase Bank N.A. ('J.P. Morgan Chase') to delegate the custody functions to it.

Devon is named at UK Companies House as the Company Secretary to the Company. However, all day to day company secretarial and administration services are currently undertaken by J.P. Morgan Europe Limited.

Related party transaction

Devon is considered to be a related party of the Company under the Listing Rules. As such, its appointment as the Company's AIFM and the entry into a new investment management agreement (the 'Transaction') amounted to a small related party transaction under Listing Rule 11.1.10 R. On 1 July 2022 Cenkos Securities PLC, the Company's then sponsor, provided written confirmation to the Company that the Transaction was fair and reasonable as far as the shareholders of the Company are concerned.

Going concern

These Accounts have been prepared on a going concern basis. The Board noted that the Company currently has access to a flexible loan facility with a maximum drawable amount of £85 million available until 7 September 2024. The Board, on recommendation from the Audit & Risk Committee, consider that this is the appropriate basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have taken into account the Company's investment objective, risk management policies and capital management policies, the diversified portfolio of readily realisable securities which can be used to meet short-term funding commitments and the ability of the Company to meet all of its liabilities and ongoing expenses.

In determining the appropriateness of the going concern basis, the Directors gave particular focus this year to the operational resilience and ongoing viability of the Investment Manager and other key third-party suppliers in light of the economic uncertainty arising from the invasion of Ukraine and the effect of sanctions on Russia; the impact of higher energy costs, supply chain disruption and inflation amongst other principal risks and uncertainties, as outlined earlier in this report. The Directors were satisfied that all key third-party suppliers had quickly and effectively put in place planning measures such as conducting risk assessments, ensuring regulatory compliance, enhancing cybersecurity and improving supply chain resilience to ensure that operational functionality is not materially compromised as a result of these issues.

DIRECTORS' REPORT *continued*

The Directors continue to adopt the going concern basis of accounting in preparing the accounts while recognising that the Articles of Association of the Company require a continuation vote at this year's Annual General Meeting to be held in November. The Board, the Investment Manager and the Company's brokers engage with shareholders on an ongoing basis and the Board, having taken into account feedback the Manager has received with regard to shareholder voting intentions, the composition of shareholders of the Company, the results of previous continuation votes and the ongoing demand for shares in the Company, considers it to be likely, at this juncture, that the Company's continuation vote by shareholders at this year's Annual General Meeting will be passed. Further information regarding the planned life of the Company can be found on page 28.

In assessing the viability of the Company, the Directors also focused on: whether the Company's strategic and investment objectives continue to be achievable in the current economic climate; the size threshold below which the Company would be considered uneconomic or unviable; and the Company performance and attractiveness to investors in the current environment. The Directors are satisfied that there are no viability issues that would affect the going concern of the Company.

Risk management & internal controls

In accordance with the AIC Code, the Board is responsible for establishing procedures to manage risk, oversee the internal control framework, and determine the nature and extent of principal risks the Company is willing to take in order to achieve its long-term strategic objectives. The Board has overall responsibility for the Company's systems of internal controls and for reviewing their effectiveness.

During the financial year under review, the Company received services from Devon, J.P. Morgan Chase Bank N.A., J.P. Morgan Europe and Fundrock Partners Limited (AIFM until 30 June 2022) relating to its investment management, global custody, depositary and certain accounting and administration services. Contractual arrangements are in place with Devon, J.P. Morgan Chase Bank N.A. and J.P. Morgan Europe which define the areas where the Company has delegated authority to them.

The Board, through its Audit & Risk Committee, has reviewed the effectiveness of the Company's internal control systems which aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and appropriate risk management and control processes are embedded in the day to day operations of its key service providers. Further detail of this review is provided in the Report of the Audit & Risk Committee on page 53.

The Company does not have an internal audit function. The Audit & Risk Committee considers whether there is a need for an internal audit function on an annual basis. As most of the Company's functions are delegated to third-party suppliers the Board does not currently consider it necessary for the Company to establish its own internal audit function.

Operational resilience

This year the Directors focused on the operational resilience and ongoing viability of the Investment Manager and other key third party suppliers.

Operational resilience is currently a key focus for the FCA. Regulated firms such as our Investment Manager must comply with new regulations which require the assessment of end-to-end delivery of important business services. These include identifying important business services, mapping business processes and systems, setting impact tolerances, conducting scenario testing, and implementing lessons learned.

Devon have advised the Board that they are fully compliant with the new regulations. The Board understands that Devon has in place frameworks that anticipate, prevent, recover from, and adapt to potential adverse operational events, and is therefore well positioned to safeguard the Company and its assets in its capacity as our Investment Manager and AIFM.

Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from its operations as its day-to-day management and administration functions have been outsourced to third parties and it neither owns physical assets, property nor has employees of its own. It therefore does not have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. As the Company has no material operations and therefore has low energy usage, it has not included an energy and carbon report in this document.

DIRECTORS' REPORT *continued*

Engagement with Stakeholders

Information on how the Board engages with its shareholders and other stakeholders can be found in the section 172 statement on page 35.

Business of the Annual General Meeting

This year's Annual General Meeting will be held at Devon's offices at 123 Victoria Street, London, SW1E 6DE at 11.00 am on Wednesday, 15 November 2023. The Board would welcome your attendance at the AGM as it provides shareholders with an opportunity to ask questions of both the Board and of the Investment Manager. Resolutions relating to the following special business will be proposed:

Resolution 12: Continuation Vote

The Articles of Association of the Company provide that at every third Annual General Meeting an ordinary resolution be proposed that the Company shall continue in existence as an investment trust. If such resolution is not passed, the Directors shall, within 90 days of the date of the resolution, put forward to shareholders proposals (which may include proposals to wind up or reconstruct the Company) whereby shareholders are entitled to receive cash in respect of their shares equal as near as practicable to that which they would be entitled on a liquidation of the Company at that time (and whether or not shareholders are offered other options under the proposals).

Resolution 13: Authority to Allot Shares

This special resolution seeks authority for the Directors to renew their authority to allot ordinary shares up to a maximum aggregate nominal amount of £320,000 which is representative of approximately a third of the current issued share capital.

The Directors believe that it would be beneficial to the Company for them to allot shares whenever they consider that it would be in the best interests of the Company's existing shareholders to do so. The shares will only be issued at a premium to net asset value at the time of issue.

Resolution 14: Authority to disapply pre-emption rights

This special resolution seeks authority for the Directors to allot shares up to an aggregate nominal amount of £96,000 without first offering them to existing shareholders. This is representative of approximately 10% of the current issued share capital. New ordinary shares will only be issued at prices greater than the prevailing net asset value.

Resolution 15: Authority to buy back shares

This special resolution seeks shareholder approval for the Company to renew the power to purchase its own ordinary shares. The Directors believe that the ability of the Company to purchase its own ordinary shares in the market will potentially benefit all shareholders of the Company. The purchase of ordinary shares at a discount to the underlying net asset value would enhance the net asset value on the remaining ordinary shares if they were cancelled on repurchase or reissued (as treasury shares) at a lesser discount than that on which they were first repurchased.

The Company is seeking shareholder approval to repurchase up to 14,500,000 ordinary shares, representing approximately 14.99% of the Company's current issued share capital as of the date of this report.

The decision as to whether to repurchase any ordinary shares will be at the absolute discretion of the Board. Ordinary shares repurchased under this authority may either be held by the Company in treasury for resale or cancelled. The Company will fund any purchases by utilising existing cash resources or loan facilities.

The Board has determined the following policies in respect of the Investment Manager's discretion in the use of treasury shares. Treasury shares will only be reissued at a premium to net asset value. Any treasury shares will only be reissued at a price not less than the market bid price at the time of purchase.

The authorities sought under resolutions 13 to 15 will expire at the conclusion of the 2024 Annual General Meeting.

DIRECTORS' REPORT continued

Resolution 16: Notice of General Meetings

The Board believes that it is in the best interests of shareholders of the Company to have the ability to call meetings on 14 clear days' notice should a matter require urgency. The Board will therefore, as last year, propose a resolution at the Annual General Meeting to approve the reduction in the minimum notice period from 21 clear days to 14 clear days for all general meetings other than annual general meetings. The Directors do not intend to use the authority unless immediate action is required. The approval will be effective until the Company's next Annual General Meeting. The Company will also need to meet the requirements for electronic voting under the Shareholders' Rights Directive before it can call a general meeting on 14 clear days' notice.

The full text of resolutions is set out in the Notice of Annual General Meeting on page 99. The Board considers the resolutions proposed to be in the best interests of the Company and shareholders as a whole and recommends that shareholders vote in favour of each of these resolutions, as the Directors intend to do in respect of their own holdings.

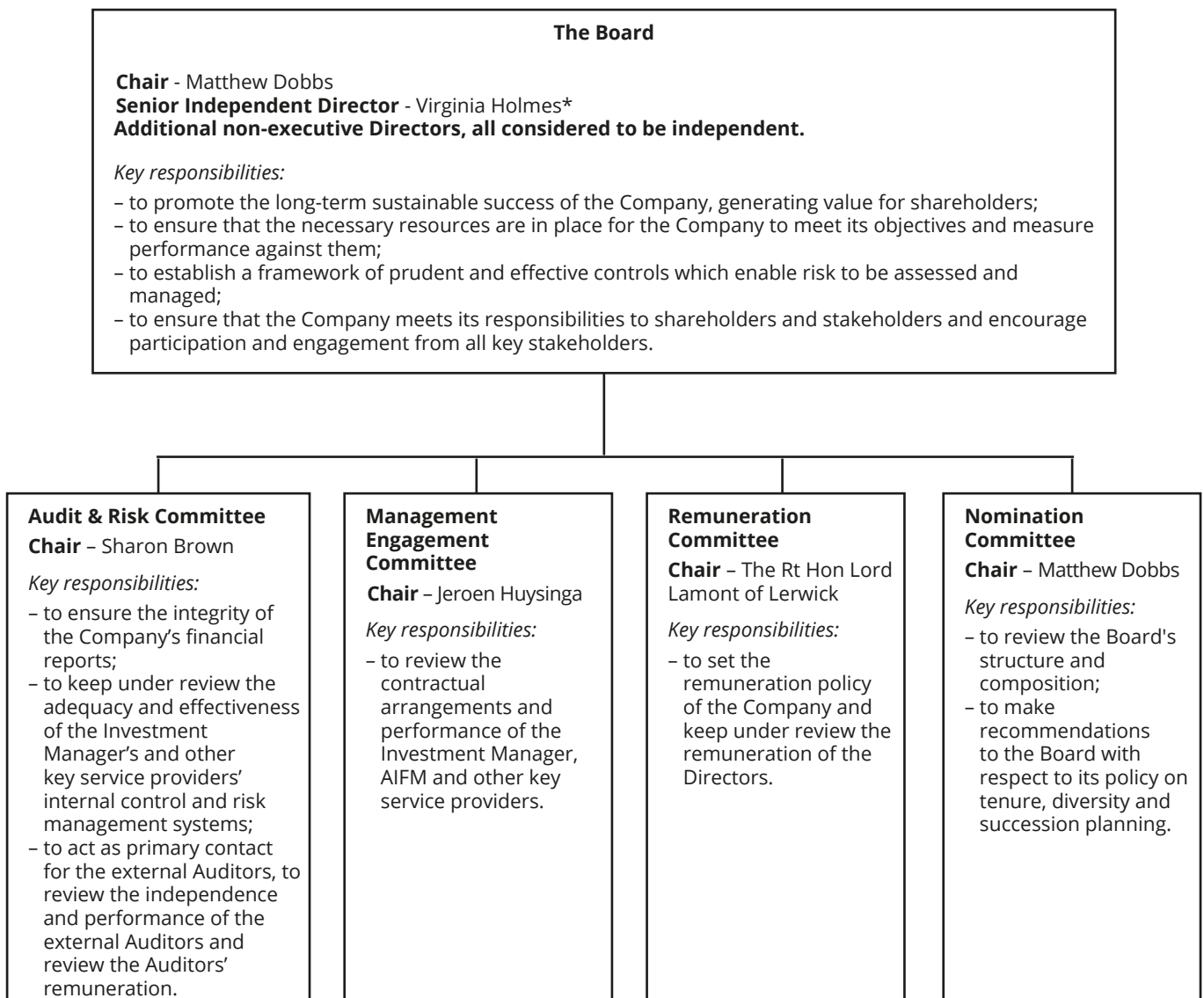
By order of the Board

Devon Equity Management Limited

Company Secretary
21 September 2023

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

Responsibility for effective governance lies with the Board, whose role is to promote the long-term success of the Company. The governance framework of the Company reflects the fact that, as an externally managed investment company, most of its day-to-day responsibilities are delegated to service providers (as identified on page 94). The Board generates value for shareholders through its oversight of service providers and management of costs associated with running the Company.



* The Senior Independent Director serves as a sounding board for the Chair and acts as an intermediary for other Directors. She is responsible for holding annual meetings with other Directors, without the Chair present, to appraise the Chair's performance. She would also be expected to meet with shareholders or with other Directors on other such occasions as necessary. The current Senior independent Director, Virginia Holmes, will retire at the forthcoming AGM and will be succeeded by Lord Lamont.

With the exception of the Chair, all Directors of the Company are members of the Audit & Risk Committee. All Directors of the Company are members of the Management Engagement, Remuneration and Nomination Committees. Copies of the terms of reference, which clearly define the responsibilities of each Committee, can be found on the Company's website at www.europeanopportunities.com.

CORPORATE GOVERNANCE COMPLIANCE STATEMENT continued

The AIC Code on corporate governance addresses the principles and provisions of the UK Code of Corporate Governance, as issued by the Financial Reporting Council (the 'FRC') in 2018, as well as setting out additional provisions on issues that are of specific relevance to investment trust companies. The AIC Code is available at www.theaic.co.uk.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to shareholders in the Company due to its structure as an investment trust.

The Company has complied with the provisions of the AIC Code and the relevant provisions of the UK Corporate Governance Code throughout the financial year, except as set out below:

- The role of the chief executive;
- Executive director's remuneration;
- The need for an internal audit function; and
- Workforce policies and practices.

For the reasons set out in the AIC Code and as explained in the UK Corporate Governance Code, the Board considers these provisions not to be relevant to the Company, being an externally managed investment company with no executive directors, employees or internal operations; hence no whistle-blowing policy is required. The Directors note that the Company's service providers each have whistle-blowing policies in place.

The Board has sought to include further detail in the statement below to explain how the principles and provisions of the AIC Code are being applied:

The Board

Role of the Board

The Board is responsible for promoting the long-term sustainable success and strategic direction of the Company. The Board receives monthly reports and meets at least four times a year to review the performance of the Company's investments and to consider matters specifically reserved for its review. The Board also reviews the Company's activities at quarterly meetings to ensure that it adheres to its investment policy or, if appropriate, to make any changes to that policy.

Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the company secretarial team at J.P. Morgan, who are responsible for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

The Directors also have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities properly.

Board composition

As at 31 May 2023, the Board comprised five non-executive Directors, all of whom are considered to have been and will remain independent since appointment. On 1 September 2023 Manisha Shukla was appointed as a sixth non-executive Director, in the anticipation of the retirement of Virginia Holmes at the forthcoming AGM.

The Company has no executive Directors and no employees.

Diversity

It is seen as a prerequisite that each member of the Board must have the skills, experience and character that will enable each Director to contribute individually, and as part of the Board team, to the effectiveness of the Board and the success of the Company. A Board skills matrix has been set out on page 40 which lists the Directors' individual skills and experience that complements the Board's combined skillset. Subject to that overriding principle, diversity of experience and approach, including gender diversity, amongst Board members is of great value, and it is the Board's policy to give careful consideration to issues of overall Board balance and diversity in appointing new Directors.

CORPORATE GOVERNANCE COMPLIANCE STATEMENT continued

As at the close of the AGM, two of the five continuing Directors (40%) will be women. One senior Board position will be occupied by a woman, being the Chair of the Audit & Risk Committee, and one member of the Board will be from an ethnic minority background.

Statement on Board Diversity – Gender and Ethnic Background

According to new requirements of the Listing Rules LR 9.8.6 R(9) and (11) (applicable for periods from 1 April 2022), the Company is required to include a statement in the annual financial report setting out whether it has met the following targets on board diversity as at 31 May 2023:

- 1) At least 40% of individuals on its board are women;
- 2) At least one of the senior board positions* is held by a woman; and
- 3) At least one individual on its board is from a minority ethnic background.

The following tables set out the prescribed format for information in accordance with the requirements of LR 9 Annex 2.

(a) Table for reporting on gender identity or sex

	Number of Board members	Percentage of the Board	Number of senior positions on the Board*
Men	3	60%	1
Women	2	40%	2
Not Specified/prefer not to say	-	-	-

b) Table for reporting on ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board*
White British or other White (including minority white groups)	5	100%	3
Mixed multiple ethnic origins	-	-	-
Asian/Asian British	-	-	-
Black/African/Caribbean/Black British	-	-	-
Other ethnic group, including Arab	-	-	-
Not Specified/prefer not to say	-	-	-

* The Company considers the positions of the Chair, the Chair of the Audit & Risk Committee and Senior Independent Director (SID) to be senior positions of the Board.

CORPORATE GOVERNANCE COMPLIANCE STATEMENT continued

Succession planning

During the year under review our Senior Independent Director, Virginia Holmes, advised the Board of her intention to retire with effect from the conclusion of the forthcoming 2023 AGM.

As previously disclosed in the Chair's Statement on page 6 and the Principal Decisions section on page 50, at the recommendation of the Nomination Committee, and in accordance with Provision 7.2 of the AIC Code, the Board appointed an external independent search consultant, Cornforth Consulting Limited, to undertake the search for an additional non-executive Director to succeed Ms Holmes.

Upon completion of a two stage interview process, the Nomination Committee agreed that Manisha Shukla would complement the current skills, experience and knowledge of the existing Directors. Accordingly, the Nomination Committee proposed that she be appointed to the Board.

Ms Shukla was duly appointed as an independent non-executive Director of the Company with effect from 1 September 2021 and she is subject to election by shareholders at the forthcoming AGM.

Ms Shukla has also served on the Audit & Risk, Nomination, Remuneration, and Management Engagement Committees with effect from her appointment date.

Lord Lamont will be appointed as Senior Independent Director in succession to Ms Holmes at the completion of the forthcoming AGM.

The Board is mindful of the AIC Code in relation to the tenure of Directors (including the Chair). The Board does not consider it appropriate that Directors should be appointed for a specific term, however, in normal circumstances all Directors (including the Chair) will not serve in excess of nine years. As noted above, Ms Holmes will retire at the conclusion of the 2023 AGM and Lord Lamont will retire at the conclusion of the 2024 AGM.

Annual re-election of Directors

The Board has adopted a policy of annual re-election for all Directors as a matter of best practice, as recommended by the AIC Code.

The Board, having considered the individual contribution and skills of each of its members, is recommending that all other Directors be re-elected at the forthcoming AGM.

Directors' training

Although no formal training in Corporate Governance is given to Directors, the Directors are kept up to date on Corporate Governance issues through bulletins and training materials provided from time to time by the company secretarial team at J.P. Morgan, the Investment Manager and the Brokers. The Board may also obtain training in Corporate Governance on an individual basis through the AIC or other specialist providers.

Directors' performance evaluation and effectiveness

The Board considers that a tri-annual external appraisal process is a constructive means of evaluating the contribution of individual Directors and identifying ways to improve the functioning and performance of the Board and its Committees and building on and improving collective strengths, including assessing any training needs.

In 2021 the Board completed a formal, external Board Evaluation of its performance in accordance with the AIC's recommended best practice. The Board evaluation encompassed measures of performance which all Directors had to complete which included an Evaluation of the Board, Evaluation of the Board Committees, an Individual self-assessment and an Evaluation of the Chair of the Board. There were no material findings reported from the Board evaluation, its Committees and that of its Chair and individual Directors. Minor suggestions were followed up and actioned. The next external Board Evaluation will take place in 2024 in accordance with the recommendation of the AIC Code.

CORPORATE GOVERNANCE COMPLIANCE STATEMENT continued

In 2023, the Chair of the Board led an internal Board Evaluation of its performance. Following the completion of the Board Evaluation it was reported by the Chair that there were no material findings reported from the Board evaluation, its Committees and that of its individual Directors. The Senior Independent Executive Director also reported that there had been no material findings reported from the evaluation of the Chair. The Board's current composition demonstrates that it has the appropriate balance of skills and experience.

Board Committees

The Board has established Audit & Risk, Nomination, Remuneration and Management Engagement Committees. Details of the role of each Committee can be found below.

All Directors are members of the Audit & Risk Committee with the exception of the Chair. The Chair may attend meetings of the Audit & Risk Committee by invitation.

All Directors are members of the Management Engagement, Nomination, and Remuneration Committees.

Audit & Risk Committee

The role of the Audit & Risk Committee and the principal activities carried out by the Committee are disclosed in the Report of the Audit & Risk Committee on page 53.

Nomination Committee

The Nomination Committee is responsible for reviewing the Board's structure and composition and making recommendations to the Board with respect to its policies on tenure, diversity and succession planning. The Nomination Committee leads the process for appointment of additional or replacement Directors, having regard to the requirements of the Company's business and the need to have a balanced Board. The Nomination Committee considers job specifications and assesses whether candidates have the necessary skills and time available to devote to the Company's business, having due regard to the benefits of diversity. It also considers each potential candidate's other significant commitments, which are disclosed with an indication of the time involved together with any other potential conflicts of interest prior to appointment. The Nomination Committee is also responsible for supporting the annual performance evaluation of the Board and individual Directors, led by the Chair. Further information on the principal activities of the Nomination Committee during the year under review is set out in the paragraphs titled 'Succession planning' on page 50.

Remuneration Committee

The role of the Remuneration Committee and the principal activities carried out by the Committee are disclosed in the Directors' Remuneration Report on page 56.

Management Engagement Committee

The Management Engagement Committee is responsible for reviewing the contractual arrangements and performance of the Investment Manager and other key services providers, excluding the Auditors, which are reviewed by the Audit & Risk Committee.

The Board, with the support of the Management Engagement Committee, reviewed the terms of appointment and performance of the Investment Manager and has concluded that the continuing appointment of the Investment Manager is in the best interests of the Company. The Board pays particular attention to the control procedures and processes in place and has concluded that these continue to be handled with the appropriate level of resource and professionalism.

The Board, again with the support of the Management Engagement Committee and the Investment Manager, reviewed the performance of its other key service providers and is satisfied that each party continued to provide the required level of service and support to the Company.

CORPORATE GOVERNANCE COMPLIANCE STATEMENT continued

The terms of reference of each Committee are available on the Company's website www.europeanopportunitiestrust.com.

Directors' attendance at meetings during the financial year ended 31 May 2023

Director	Board	Audit & Risk Committee	Remuneration Committee	Nomination Committee	Management Engagement Committee	Annual General Meeting
Andrew Sutch*	3/3	2/2	1/1	2/2	2/2	1/1
Matthew Dobbs**	4/4	n/a	1/1	3/3	2/2	1/1
Sharon Brown	4/4	3/3	1/1	3/3	2/2	1/1
Virginia Holmes	4/4	3/3	1/1	3/3	2/2	1/1
Jeroen Huysinga	4/4	3/3	1/1	3/3	2/2	1/1
The Rt Hon Lord Lamont of Lerwick	4/4	3/3	1/1	3/3	2/2	1/1

* Andrew Sutch retired at the 2022 AGM.

** All Directors are members of the four Committees of the Board with the exception of Matthew Dobbs, who can, upon invitation, attend Audit and Risk Committee meetings as an observer.

For and on behalf of the Board

Matthew Dobbs

Chair

21 September 2023

REPORT OF THE AUDIT & RISK COMMITTEE

Role of the Audit & Risk Committee

The primary responsibilities of the Audit & Risk Committee are to ensure the integrity of the financial reporting by the Company, the appropriateness of the risk management and internal controls processes and the effectiveness of the independent audit process. This report details how we carry out this role.

During the year the principal activities carried out by the Committee were:

- **Financial reporting:** The Committee reviewed the Company's half yearly and annual financial reports, including the significant accounting matters and agreed the appropriateness of accounting policies adopted. The Committee reviewed and assessed the Company's viability statement and the appropriateness of preparing the Company's financial reports on a going concern basis. We considered and are satisfied that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy;
- **AIC Code:** The Committee has reviewed and considered the Company's continuing compliance with the AIC Code in regards to the Board's dual role as both an overseer of the Company's internal framework and a manager of the principal risk. The examination encompasses a comprehensive assessment of how the Board fulfils its responsibilities in ensuring the Company's internal processes are robust and effective. The Committee's scrutiny and consideration of these vital aspects aim to ensure that the Company maintains high standards of corporate governance and risk management, aligning with the best practices and regulatory requirements;
- **Risk and internal controls:** During the year, the Committee held a meeting to review and agree changes to the Company's risk register with an emphasis on identifying the key risks facing the Company and consideration of the appropriateness of the mitigating controls. The Committee also agreed a process for recording and monitoring emerging risks of potential relevance to the Company. The Committee considered the internal control reports received from the Investment Manager, the AIFM, the Depositary and Custodian, the effectiveness of the Company's internal control environment and consideration of the need for the Company to have its own internal audit function; and
- **External Auditors:** The Committee reviewed the independence, effectiveness and fees of PricewaterhouseCoopers LLP (PwC), as detailed later in this report.

The Committee's authorities and duties are defined in its terms of reference, which were reviewed during the year and are available on the Company's website www.europeanopportunitiestrust.com

Composition and meetings

All Committee members are independent non-executive Directors. The members of the Committee during the financial year ended 31 May 2023 were: Sharon Brown as Chair, Virginia Holmes, Lord Lamont and Jeroen Huysinga. The Committee met three times during the financial year ended 31 May 2023.

The Committee considers that, collectively, the members have sufficient recent and relevant sector and financial experience to fully discharge their responsibilities. The performance of the Committee was evaluated as part of the Board appraisal process.

The Committee invites the Company's Auditors and personnel from Devon and other third party service providers to attend and report to the Committee on relevant matters.

REPORT OF THE AUDIT & RISK COMMITTEE continued

Significant Accounting Matters

Summarised below are the most significant issues considered by the Committee in relation to the Company's Accounts for the year ended 31 May 2023, and how these issues were addressed:

Issue considered	How the issue was addressed
Valuation and existence of investments	The valuation of investments is in accordance with accounting policy (Note 1(d)). The Board receives regular reports of the portfolio from the Investment Manager. The Committee takes comfort from the Depositary's regular oversight reports that investment related activities were conducted in accordance with the Company's investment policy and also from the internal controls reports prepared. The Company does not invest in unlisted securities.
Income from investments	Investment income is recognised in accordance with accounting policy (Note 1(b)). The Committee reviewed detailed revenue forecasts and considered the allocation of dividend income between revenue and capital. Investment income was also tested and reported on by the auditors.
Consideration of the war in Ukraine, inflation, climate change and the upcoming continuation vote in relation to Viability and Going Concern	The Committee considered these emerging risks and how these might reasonably impact the Company. They considered both the operational impacts on the Company and third party service providers and the potential financial impacts (including the review of financial forecasts, the liquidity of the Company's portfolio and agreed banking facilities, including loan covenant compliance). The Committee also noted the following in support of the continuation vote: that the shareholder register is stable; the feedback that the Manager has received with regards to shareholders voting intentions; and that the previous continuation votes passed with no significant votes against.

External Auditors

The Company's current independent Auditors, PwC, conducted their first audit of the Company in 2020 and were re-appointed at the 2022 Annual General Meeting. The Auditors are required to rotate audit partners every five years and this is the fourth year that the audit partner, Thomas Norrie, has been in place.

As part of its review of the continuing appointment of the Auditors, the Committee considers the length of tenure of the audit firm, its fees, independence and the effectiveness of the audit process.

In considering the independence of the Auditors, the Committee reviewed:

- The audit plan for the year, including the audit team and approach to significant risks;
- The Auditors' arrangements for any conflicts of interest;
- The extent of any non-audit services (all non-audit services are subject to pre approval by the Committee; there were no non-audit services in the reporting year); and
- The statement by the Auditors that they remain independent within the meaning of the regulations and their professional standards.

REPORT OF THE AUDIT & RISK COMMITTEE *continued*

With regard to the effectiveness of the audit process, the Committee reviewed:

- The fulfilment by the Auditors of the agreed audit plan;
- The audit findings report issued by the Auditors on the audit of the Annual Report and Accounts for the year ended 31 May 2023; and
- Feedback from the Investment Manager and other service providers on the audit of the Company.

The Committee is satisfied that the Company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014, published by the Competition and Markets Authority on 26 September 2014. In recognition of underlying audit rotation requirements, the Committee currently intends that an audit tender process will be undertaken during the year to 31 May 2029 to appoint either the incumbent or a new audit firm for the financial year ending 31 May 2030 onwards.

In order to provide appropriate audit quality, additional audit work and therefore resources is now required by the audit profession. This has resulted in audit fees rising and this has been accepted by the Committee having considered the service level, audit quality and market comparisons. The annual audit fee has therefore increased in this financial year to £45,000 (2022: £39,000).

The Committee concluded that the Auditors are independent and the audit process was effective. There are no contractual obligations restricting the Company's choice of external Auditors.

For and on behalf of the Audit & Risk Committee

Sharon Brown

Chair of the Audit & Risk Committee

21 September 2023

DIRECTORS' REMUNERATION REPORT AND POLICY

Introduction

The Remuneration Committee, on behalf of the Board, is pleased to present the Company's annual remuneration report for the year ended 31 May 2023 in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on page 62.

Role of the Remuneration Committee

The primary responsibility of the Committee is to review the level of remuneration of the Directors of the Company to ensure that they remain commensurate with the time commitment and responsibilities of each role.

The Directors are all non-executive. Each Director receives an annual fee, payable quarterly in arrears. The Company does not award any other remuneration or benefits to the Chair or Directors.

Remuneration Regulation Large and Medium Sized Companies and Groups

In accordance with the Large and Medium sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, Shareholders are required to approve the Company's Remuneration Policy for a maximum period of three years.

The Remuneration Policy was last approved by Shareholders at the 2020 Annual General Meeting and will next be submitted for approval by shareholders at the 2023 Annual General Meeting unless renewed, varied or revoked by the shareholders beforehand.

Remuneration Policy

The Board is composed wholly of independent non-executive Directors, none of whom has a service contract with the Company. The Board has established a Remuneration Committee, currently chaired by Lord Lamont, comprising all independent Directors, which will consider changes to Directors' fees from time to time. The Company Secretary provides comparative information when the Board considers the level of Directors' fees.

The Board's policy is that the remuneration of Directors should be set at a reasonable level commensurate with the duties and responsibilities of the role and consistent with the requirement to attract and retain Directors of the appropriate quality and experience. The Board believes that the fees paid to the Directors should reflect the experience of the Board as a whole, be fair and should take account of the level of fees paid by comparable investment trusts.

There are no agreements between the Company and its Directors concerning compensation for loss of office.

The Company's Articles also provide that additional discretionary payments can be made for services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director. In the year under review no such payments were made.

The Company has no employees and consequently has no policy on the remuneration of employees.

DIRECTORS' REMUNERATION REPORT AND POLICY

continued

Current remuneration of the Board

With effect from 1 June 2023, on the recommendation of the Remuneration Committee, the Board approved an increase in annual fees as follows:

	From:	To:
Chair	£41,000	£42,640
Chair of the Audit & Risk Committee	£35,000	£36,400
Directors	£29,000	£30,160

The Committee is authorised to obtain, at the Company's expense, outside legal or other professional advice on any matters within its Terms of Reference. The Committee did not seek external advice during the year under review.

Cap on Directors' remuneration

Pursuant to a shareholder resolution the aggregate amount of fees to be paid to the Directors (excluding any fees payable in respect of any special or extra services provided by a Director) are currently capped at £250,000 per annum, provided that such cap may be further amended by shareholders by way of ordinary resolution.

Other fees and incentives

The Company does not award any other remuneration or benefits to the Directors. There are no bonus schemes, pension schemes, share option or long-term incentive schemes in place for the Directors. Directors are entitled to be repaid all reasonable travel, hotel and other expenses properly incurred by them in or about the performance of their duties as Director, including any expenses incurred in attending meetings of the Board and its Committees or general meetings of the Company.

Directors' service contracts

No Director has a contract of service with the Company. Accordingly, the Directors are not entitled to any compensation in the event of termination of their appointment or loss of office, other than the payment of any outstanding fees.

DIRECTORS' REMUNERATION REPORT AND POLICY

continued

Annual report on remuneration

A single figure for the total remuneration of each Director is set out in the table below for the years ended 31 May 2023, 31 May 2022 and 31 May 2021, respectively:

Statement of Directors' emoluments (audited)

Director	Year ended 31 May 2023				Fee change on prior year %	Year ended 31 May 2022				Fee change on prior year %	Year ended 31 May 2021				Fee change on prior year %
	Fees (£)	Expenses (£)	Total (£)			Fees (£)	Expenses (£)	Total (£)			Fees (£)	Expenses (£)	Total (£)		
Matthew Dobbs ¹	35,443	-	35,443	71.8		20,630	-	20,630	-		-	-	-	-	
Sharon Brown	35,000	3,077	38,077	11.1		31,500	1,343	32,843	0.0		31,500	-	31,500	38.8	
Virginia Holmes	29,000	-	29,000	5.5		27,500	-	27,500	0.0		27,500	-	27,500	10.0	
The Rt Hon Lord Lamont of Lerwick	29,000	-	29,000	5.5		27,500	-	27,500	0.0		27,500	-	27,500	10.0	
Jeroen Huysinga ²	29,000	-	29,000	40.6		20,630	-	20,630	-		-	-	-	-	
Andrew Sutch ³	18,984	562	19,546	(49.3)		38,500	-	38,500	0.0		38,500	-	38,500	10.0	
Philip Best ⁴	-	-	-	(100.0)		13,750	592	14,342	(50.0)		27,500	-	27,500	3.6	
John Wallinger ⁵	-	-	-	-		-	-	-	(100.0)		12,653	-	12,653	(49.4)	
	176,427	3,639	180,066			180,010	1,935	181,945			165,153	-	165,153		

¹ Matthew Dobbs was appointed a Director of the Company on 1 September 2021, and Chair of the Board from 16 November 2022.

² Jeroen Huysinga was appointed a Director of the Company on 1 September 2021.

³ Andrew Sutch retired as a Director of the Company on 16 November 2022.

⁴ Philip Best retired as a Director of the Company on 10 November 2021.

⁵ John Wallinger retired as a Director of the Company on 16 November 2020.

Expenditure by the Company on Directors' remuneration compared with distributions to shareholders

The table below compares the remuneration paid to Directors to distributions made to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take into account the Company's stated investment objective of achieving capital growth:

	Year ended 31 May 2023 £'000	Year ended 31 May 2022 £'000	Year ended 31 May 2021 £'000
Fees paid to Directors	176	180	165
Distributions to shareholders	2,536	2,109	3,891

DIRECTORS' REMUNERATION REPORT AND POLICY

continued

Statement of voting at the last Annual General Meeting

The following table sets out the votes received at the 2022 Annual General Meeting of the shareholders of the Company, in respect of the approval of the Directors' Remuneration Report:

Votes cast for*		Votes cast against		Total votes cast	Number of votes withheld
Number	%	Number	%		
48,187,519	99.96	18,717	0.04	48,206,236	22,360

* Includes discretionary votes.

The remuneration policy is put to shareholders every three years, with the next vote to take place at the forthcoming AGM. The following table sets out the votes received in relation to the Remuneration Policy at the 2020 Annual General Meeting:

Votes cast for*		Votes cast against		Total votes cast	Number of votes withheld
Number	%	Number	%	Number	Number
41,638,102	99.81	78,953	0.19	41,717,055	22,482

* Includes discretionary votes.

Implementation of the Remuneration Policy

No significant changes are expected in the Company's approach to Director remuneration. Remuneration in accordance with the Company's policy and the overall remuneration of each Director will continue to be monitored by the Committee on an annual basis.

The Board will consider, where raised, shareholders' views on Directors' remuneration. No comments have been received on this subject in the past year.

Directors' interests

The Directors who held office at the end of the year covered by these Accounts and their beneficial interests in the ordinary shares are shown below. No Director was a party to or had any interest in any contract or arrangement with the Company at any time during the year or subsequently. There are no requirements for the Directors of the Company to own shares in the Company.

Directors' interest in ordinary shares as at the financial year end (audited)

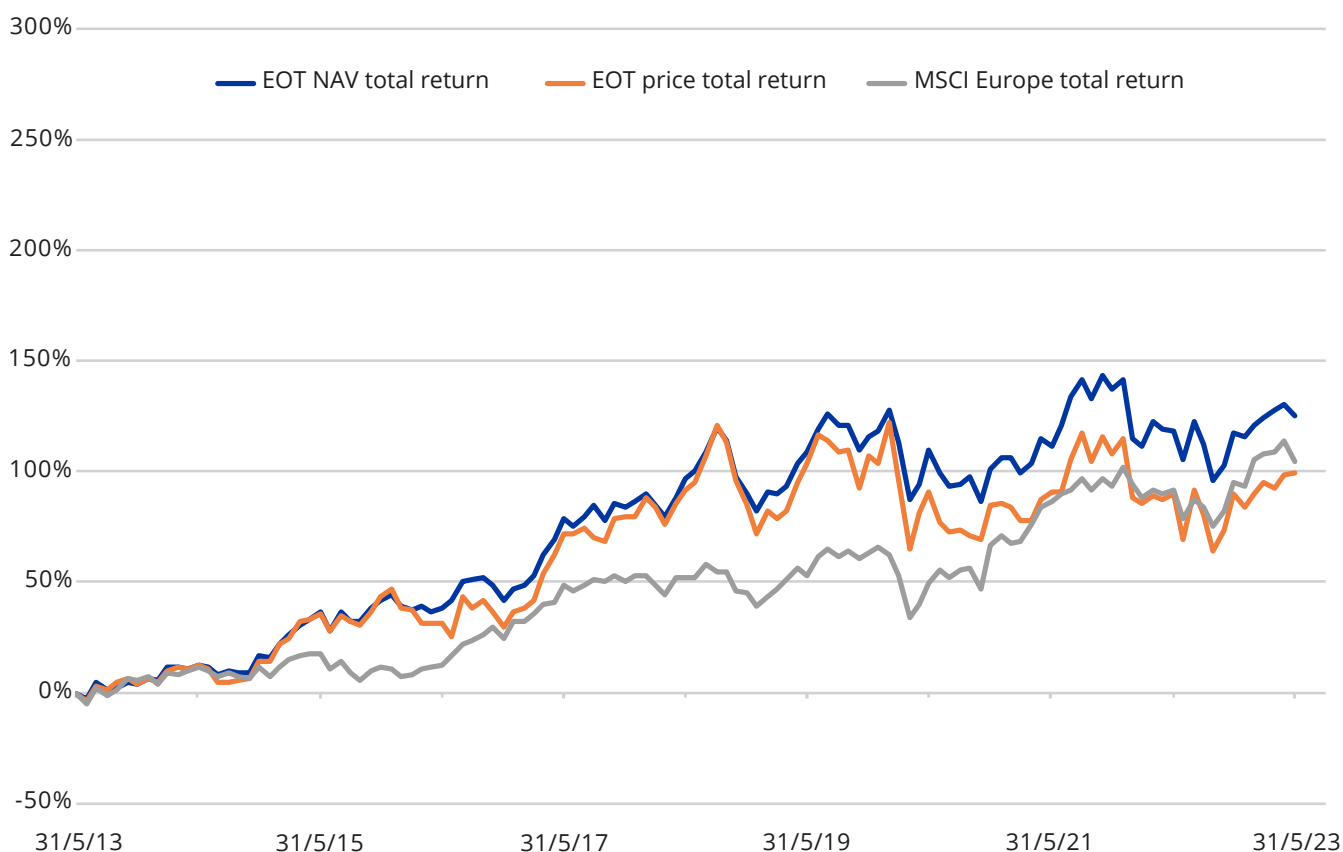
	31 May 2023	31 May 2022
Matthew Dobbs	36,000	26,000
Sharon Brown	3,824	3,824
Virginia Holmes	13,000	13,000
The Rt Hon Lord Lamont of Lerwick	18,040	18,040
Jeroen Huysinga	17,800	13,800

DIRECTORS' REMUNERATION REPORT AND POLICY

continued

Performance from 31 May 2013 to 31 May 2023

The graph below illustrates the Company's performance by reference to the NAV and the price of its ordinary shares compared against benchmark, the total return on the MSCI Europe Index, total return in GBP, which has been chosen as the most suitable index against which to measure the performance of the Company.



Source: MSCI & Devon. Returns with dividends added back. Past performance is no guide to the future.

Annual Statement

On behalf of the Board and in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the Directors' Remuneration Report and Policy above summarises, for the year ended 31 May 2023, the context of the review undertaken and the major decisions made regarding the fees paid to the Board during the year, and the ongoing future Remuneration Policy of the Company which is to be approved by shareholders. No discretion was exercised to make additional payments to Directors during the year.

By order of the Board

The Rt Hon Lord Lamont of Lerwick
Chair of the Remuneration Committee
21 September 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

UK 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 are listed on pages 39 and 40, 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; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

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.

By order of the Board

Matthew Dobbs

Chair

21 September 2023

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EUROPEAN OPPORTUNITIES TRUST PLC

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 May 2023 and of its profit 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 Annual Report and Accounts (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 May 2023; the Income Statement, the Statement of Changes in Equity and the Cash Flow Statement 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 & 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EUROPEAN OPPORTUNITIES TRUST PLC *continued*

Our audit approach

Overview

Audit scope	<ul style="list-style-type: none"> We conducted our audit of the financial statements using information from J.P. Morgan Chase Bank N.A. (the "Administrator" and the "Custodian") and J.P. Morgan Europe Limited (the "Depositary") to whom the 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 Manager and the Administrator, and adopted a fully substantive testing approach using reports obtained from the Administrator.
Key audit matters	<ul style="list-style-type: none"> Valuation and existence of investments Income from investments Ability to continue as a going concern – Continuation Vote
Materiality	<ul style="list-style-type: none"> Overall materiality: £8,629,000 (2022: £8,725,000) based on 1% of net asset value. Performance materiality: £6,472,000 (2022: £6,544,000).

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.

Ability to continue as a going concern – Continuation Vote is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EUROPEAN OPPORTUNITIES TRUST PLC *continued*

Key audit matter

Valuation and existence of investments

Refer to Report of the Audit & Risk Committee, Accounting Policies and Notes to the Accounts.

The investment portfolio at the year-end comprised listed equity investments valued at £936 million.

We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the Financial Statements.

How our audit addressed the key audit matter

We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third-party sources. No material misstatements were identified.

We tested the existence of the investment portfolio by agreeing investment holdings to an independent custodian confirmation. No material misstatements were identified.

We assessed the accounting policy for investments held at fair value through profit or loss for compliance with accounting standards and performed testing to check that investments are accounted for in accordance with the stated accounting policy.

We did not identify any material matters to report.

Income from investments

Refer to Report of the Audit & Risk Committee, Accounting Policies and Notes to the Accounts.

We focused on the accuracy, completeness and occurrence of investment income recognition as incomplete or inaccurate income could have a material impact on the Company's net asset value and dividend cover.

We also focused on the accounting policy for investment income recognition and the presentation of investment income in the Income Statement for compliance with 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.

We assessed the accounting policy for investment income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income from investments had been accounted for in accordance with this stated accounting policy.

We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income from investments has been accounted for in accordance with the stated accounting policy.

We tested the accuracy of dividend receipts by agreeing the dividend rates from investments to independent third-party data. No material misstatements were identified.

We tested occurrence by testing that all dividends recorded in the year had been declared in the market by investment holdings. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared for all dividends during the year.

Our testing did not identify any unrecorded dividends.

We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Statement of Comprehensive Income as being in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions. Our procedures did not identify any material misstatements.

We did not identify any material matters to report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EUROPEAN OPPORTUNITIES TRUST PLC *continued*

Key audit matter

Ability to continue as a going concern – Continuation Vote

Refer to Viability Statement in the Strategic Report, Chair's Statement and the Report of the Audit & Risk Committee.

A continuation vote is due to take place at the next Annual General Meeting in 2023, which, if passed, will allow the Company to continue as an investment trust for a further year. As such, the Directors have considered and assessed the potential impact on the ability of the Company to continue as a going concern.

How our audit addressed the key audit matter

The procedures we performed and our conclusions on going concern are included in the Conclusions relating to going concern section below.

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.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

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 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EUROPEAN OPPORTUNITIES TRUST PLC *continued*

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

<i>Overall Company materiality</i>	£8,629,000 (2022: £8,725,000).
<i>How we determined it</i>	1% of net asset value
<i>Rationale for benchmark applied</i>	We applied this benchmark, which is a generally accepted auditing practice for investment trust audits and is also the primary measure used by the shareholders in assessing the performance of the entity.

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% (2022: 75%) of overall materiality, amounting to £6,472,000 (2022: £6,544,000) 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 & Risk Committee that we would report to them misstatements identified during our audit above £431,000 (2022: £436,000) 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;
- 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;
- Evaluating 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;
- Assessing the implications of significant reductions in net asset value as a result of market performance on the ongoing ability of the Company to operate; and
- Challenging the Directors' assessment of going concern in relation to the passing of the continuation vote and obtaining audit evidence which supports their conclusion.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EUROPEAN OPPORTUNITIES TRUST PLC *continued*

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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 the 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 the Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and the Directors' Report for the year ended 31 May 2023 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 the Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report and Policy 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EUROPEAN OPPORTUNITIES TRUST PLC *continued*

- 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 & 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 relation to 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EUROPEAN OPPORTUNITIES TRUST PLC *continued*

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 Corporation 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 income (income from investments and capital gains) or to increase net asset value of the Company. Audit procedures performed by the engagement team included:

- Discussions with the Manager and the Audit & Risk Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Audit & Risk Committee;
- Evaluation of the controls implemented by the Company and the Administrator designed to prevent and detect irregularities;
- Assessment of 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 any journals with unusual account combinations; 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. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EUROPEAN OPPORTUNITIES TRUST PLC continued

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 and Policy 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 & Risk Committee, we were appointed by the members on 11 November 2019 to audit the financial statements for the year ended 31 May 2020 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 May 2020 to 31 May 2023.

Thomas Norrie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 September 2023

INCOME STATEMENT

for the year ended 31 May 2023

	Notes	Year ended 31 May 2023			Year ended 31 May 2022		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain on investments	8	–	20,058	20,058	–	25,056	25,056
Currency exchange gain/(loss)		–	360	360	–	(270)	(270)
Income from investments	2	16,244	–	16,244	14,370	–	14,370
Other income	2	33	–	33	–	–	–
Total income		16,277	20,418	36,695	14,370	24,786	39,156
Investment management fee		(7,733)	–	(7,733)	(8,404)	–	(8,404)
Other expenses	3	(951)	–	(951)	(1,035)	–	(1,035)
Total expenses		(8,684)	–	(8,684)	(9,439)	–	(9,439)
Net return before finance costs and taxation		7,593	20,418	28,011	4,931	24,786	29,717
Finance costs	4	(2,863)	–	(2,863)	(961)	–	(961)
Return on ordinary activities before taxation		4,730	20,418	25,148	3,970	24,786	28,756
Taxation	5	(1,345)	–	(1,345)	(1,233)	–	(1,233)
Net return after taxation*		3,385	20,418	23,803	2,737	24,786	27,523
Earnings per ordinary share (basic and diluted)	6	3.34p	20.15p	23.49p	2.62p	23.69p	26.31p

* There is no other comprehensive income and therefore the 'Net return after taxation' is the total comprehensive income for the financial year.

The total column of this statement is the income statement of the Company, prepared in accordance with UK adopted International Accounting Standards.

The supplementary revenue return and capital return columns are both prepared under guidance produced by the Association of Investment Companies (AIC). All items in the above statement derive from continuing operations.

No operations were acquired or discontinued during the year.

The Notes on pages 75 to 90 form part of these Accounts.

STATEMENT OF FINANCIAL POSITION

as at 31 May 2023

	Notes	2023 £'000	2022 £'000
Fixed Assets			
Investments	8	936,318	951,753
Current assets			
Debtors	9	3,445	3,532
Cash and cash equivalents		6,951	5,973
		10,396	9,505
Total assets		946,714	961,258
Current liabilities			
Creditors – amounts falling due within 1 year	10	(83,776)	(88,641)
Total assets less current liabilities		862,938	872,617
Capital and reserves			
Called up share capital	21	1,129	1,129
Share premium	11	204,133	204,133
Special reserve	12	33,687	33,687
Capital redemption reserve	13	45	45
Reserves	14	623,944	633,623
Total shareholders' funds		862,938	872,617
Net asset value per ordinary share	15	876.46p	850.64p

The Accounts on pages 71 to 90 were approved by the Board of Directors on 21 September 2023 and signed on its behalf by:

Matthew Dobbs
Chair

Company Registration Number 4056870

The Notes on pages 75 to 90 form part of these Accounts.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 May 2023

For the year ended 31 May 2023	Notes	Share Capital £'000	Share Premium £'000	Special Reserve £'000	Capital Redemption Reserve £'000	Reserves ¹ £'000	Total £'000
Balance as at 1 June 2022		1,129	204,133	33,687	45	633,623	872,617
Net return after taxation		-	-	-	-	23,803	23,803
Repurchase of ordinary shares into treasury	21	-	-	-	-	(30,946)	(30,946)
Dividends declared and paid*	7	-	-	-	-	(2,536)	(2,536)
Balance at 31 May 2023		1,129	204,133	33,687	45	623,944	862,938

For the year ended 31 May 2022	Notes	Share Capital £'000	Share Premium £'000	Special Reserve £'000	Capital Redemption Reserve £'000	Reserves ¹ £'000	Total £'000
Balance as at 1 June 2021		1,129	204,133	33,687	45	639,995	878,989
Net return after taxation		-	-	-	-	27,523	27,523
Repurchase of ordinary shares into treasury	21	-	-	-	-	(31,786)	(31,786)
Dividends declared and paid*	7	-	-	-	-	(2,109)	(2,109)
Balance at 31 May 2022		1,129	204,133	33,687	45	633,623	872,617

* Dividends paid during the financial year were paid out of revenue reserves.

¹ An analysis of reserves broken down into revenue (distributable) items and capital items (non-distributable) is given in Note 14.

The Notes on pages 75 to 90 form part of these Accounts.

CASH FLOW STATEMENT

for the year ended 31 May 2023

	Notes	2023 £'000	2022 £'000
Cash flows from operating activities			
Investment income received (gross)		16,366	15,136
Deposit interest received		33	-
Investment management fee paid	19	(7,756)	(8,323)
Other cash expenses		(900)	(984)
Net cash inflow from operating activities before taxation and interest	16	7,743	5,829
Interest paid		(2,302)	(834)
Overseas tax incurred		(1,372)	(1,594)
Net cash inflow from operating activities		4,069	3,401
Cash flows from investing activities			
Purchases of investments		(117,350)	(204,307)
Sales of investments		153,085	215,054
Net cash inflow from investing activities		35,735	10,747
Cash flows from financing activities			
Repurchase of ordinary shares into treasury		(26,650)	(35,688)
Equity dividends paid	7	(2,536)	(2,109)
Repayment of loan	17	(20,000)	-
Drawdown of loan	17	10,000	20,000
Net cash outflow from financing activities		(39,186)	(17,797)
Increase/(decrease) in cash		618	(3,649)
Cash and cash equivalents at start of year		5,973	9,892
Realised gain/(loss) on foreign currency		360	(270)
Cash and cash equivalents at end of year		6,951	5,973

The Notes on pages 75 to 90 form part of these Accounts.

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Accounts comprise the financial results of the Company for the year to 31 May 2023. The functional and reporting currency of the Company is pounds sterling because that is the currency of the prime economic environment in which the Company operates. The Accounts were authorised for issue in accordance with a resolution of the Directors on 21 September 2023. All values are rounded to the nearest thousand pounds (£'000) except where indicated.

The Accounts have been prepared in accordance with UK-adopted International Accounting Standards and the requirements of the Companies Act 2006.

Where presentational guidance set out in the Statement of Recommended Practice for Investment Trusts issued by the Association of Investment Companies in April 2021 (the 'AIC SORP') is consistent with the requirements of UK-adopted International Accounting Standards in conformity with the Companies Act 2006, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the AIC SORP. The Accounts have also been prepared in accordance with the Disclosure and Transparency Rules issued by the Financial Conduct Authority.

The Accounts have been prepared under the historic cost modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss. The accounting policies have been consistently applied throughout the year ended 31 May 2023 and in the prior year other than where new policies have been adopted.

The Board continues to adopt the going concern basis in the preparation of the financial statements.

(a) Segmental reporting

The Company is engaged in a single segment business and, therefore, no segmental reporting is provided.

(b) Income recognition

Ordinary dividends from investments are recognised when the investment is quoted ex-dividend on or before the date of the Statement of Financial Position. All overseas dividend income is disclosed net of withholding tax.

Ordinary dividends receivable from equity shares are taken to the revenue return column of the Income Statement.

Deposit and other interest receivable are accounted for on an accruals basis. These are classified within operating activities in the Cash Flow Statement.

Special dividends are reviewed on a case by case basis to determine if the dividend is to be treated as revenue or capital.

(c) Presentation of Income Statement

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the Association of Investment Companies (AIC), supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented. In accordance with the Company's Articles of Association, net capital returns may not be distributed by way of dividend.

An analysis of reserves broken down into revenue (distributable) items, and capital items (non-distributable) is given in Note 14.

All other operational costs are charged to revenue.

(d) Basis of valuation of investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under contract whose terms require delivery of the investment within the timeframe established by the market concerned. Investments are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition.

NOTES TO THE ACCOUNTS continued

1. Accounting Policies continued

All investments are classified as held at fair value through profit or loss. All investments are measured at fair value with changes in their fair value recognised in the Income Statement in the period in which they arise. The fair value of listed investments is based on their quoted bid price at the reporting date without any deduction for estimated future selling costs.

Foreign exchange gains and losses on fair value through profit or loss investments are included within the changes in the fair value of the investment.

For investments that are not actively traded and/or where active stock exchange quoted bid prices are not available, fair value is determined by reference to a variety of valuation techniques.

These techniques may draw, without limitation, on one or more of: the latest arm's length traded prices for the instrument concerned; financial modelling based on other observable market data; independent broker research; or the published accounts relating to the issuer of the investment concerned.

(e) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risks of changes in value.

(f) Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At the reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the Income Statement with the revenue or capital column depending on the nature of the underlying item.

(g) Borrowing and finance costs

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs and subsequently measured at amortised cost.

Interest on the loan facility is accrued at the rate specified by the lender on renewal date.

Bank interest is recognised in the Income Statement in the period in which it is incurred.

All finance costs are directly charged to the revenue column of the Income Statement.

(h) Expenses

Expenses are accounted for on an accruals basis. Management fees, administration and other expenses are charged fully to the revenue column of the Income Statement. Expenses which are incidental to the purchase or sale of an investment are charged to capital, along with any foreign exchange gains and losses.

In accordance with the AIC SORP, the Board has allocated all expenses, other than expenses incidental to purchase or sale of investments and issue costs, to revenue. The Board will continue periodically to monitor this decision.

NOTES TO THE ACCOUNTS *continued*

1. Accounting Policies *continued*

(i) 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 year. Taxable profit differs from net profit as reported in the Income Statement 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 date of the Statement of Financial Position.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Accounts 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 generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Investment trusts which have approval under Section 1158 of the Corporation Tax Act 2010 are not liable for taxation of capital gains.

Irrecoverable VAT is included in the expense on which it has been suffered. Recoverable VAT is calculated using the partial exemption method based on the proportion of zero rated supplies to total supplies.

(j) Future accounting developments

At the date of authorisation of the financial statements, the following amendments to the UK adopted International Accounting Standards (IAS) and interpretations are considered to be relevant to the Company:

IAS 1 – Classification of Liabilities as Current or Noncurrent – Amendments to UK adopted International Accounting Standards 1. Effective for annual periods beginning on or after 1 January 2023. No impact for the Company.

IAS 8 – Definition of Accounting Estimates – Amendments to UK adopted International Accounting Standards IAS 8. Effective for annual reporting periods beginning on or after 1 January 2024.

IAS 1 and IFRS Practice Statement – Disclosure of Accounting Policies. Effective for annual reporting periods beginning on or after 1 January 2024.

IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction. Effective for annual reporting periods beginning on or after 1 January 2024.

The Directors expect that the adoption of the standards listed above will have either no impact or that any impact will not be material on the financial statements of the Company in future periods.

(k) Significant accounting judgements, estimates and assumptions

Management have not applied any significant accounting judgements, estimates and assumptions which would have a significant impact on this set of Accounts or those of the prior financial year.

NOTES TO THE ACCOUNTS continued

2. Income

	Year ended 31 May 2023 £'000	Year ended 31 May 2022 £'000
Income from investments		
Dividends from United Kingdom companies	4,627	4,459
Dividends from overseas companies	11,617	9,385
Deposit interest	33	-
Scrip dividends	-	526
	16,277	14,370

3. Other expenses*

	Year ended 31 May 2023 £'000	Year ended 31 May 2022 £'000
Directors' remuneration	180	182
Auditors' remuneration	54	49
Administration fees	178	191
Safe custody charges	91	86
Legal and professional fees	22	34
Registrar's fee	55	86
Brokerage fees	70	36
Other professional fees	55	50
Depository's fee	150	164
FCA fees	29	28
Printing & publication of reports to shareholders	20	18
Other administrative expenses	47	111
	951	1,035

* each including VAT where applicable. There were no non-audit fees payable in the years to 31 May 2023 and 31 May 2022. The audit fee in the year ended 31 May 2022 includes an under accrual from the year ended 31 May 2021.

4. Finance costs

	Year ended 31 May 2023 £'000	Year ended 31 May 2022 £'000
Interest on short-term loan	2,776	858
Commitment fees	67	40
Bank charges	20	63
	2,863	961

All finance costs are charged to revenue.

NOTES TO THE ACCOUNTS *continued*

5. Taxation

	Year ended 31 May 2023 £'000	Year ended 31 May 2022 £'000
(a) Analysis of charge in year		
Foreign tax suffered	1,345	1,233

All tax costs are charged to revenue.

(b) Factors affecting current tax charge for the year

The UK corporation tax rate was 19% until 31 March 2023 and 25% from 1 April 2023, giving an effective rate of 20.00% (2022: 19.00%). The tax assessed is lower (2022: lower) than that resulting from applying the effective standard rate of corporation tax in the UK. The difference is explained below:

	Year ended 31 May 2023 £'000	Year ended 31 May 2022 £'000
Net return before taxation	25,148	28,756
Corporation tax at 20.00% (2022: 19.00%)	5,030	5,463
Effects of:		
Tax free capital gain in investments	(4,084)	(4,709)
Exempt dividend income	(3,249)	(2,730)
Foreign tax incurred	1,345	1,233
Excess expenses for the year	2,137	1,976
Disallowed interest	166	-
Total tax charge for the year	1,345	1,233

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

There is an unrecognised deferred tax asset of £35,173,000 (at 25%) (2022: £32,502,000 at 25%) which relates to unutilised excess expenses. The Finance Act 2021 received Royal Assent on 10 June 2021 and the rate of Corporation Tax of 25% effect from 1 April 2023 has been used to calculate the potential deferred tax asset. The deferred tax asset would only be recovered if the Company were to generate sufficient profits to utilise these expenses. It is considered highly unlikely that this will occur and therefore, no deferred tax asset has been recognised.

NOTES TO THE ACCOUNTS *continued*

6. Returns per ordinary share

The return per share figure can be analysed between revenue and capital, as below:

	Year ended 31 May 2023 £'000	Year ended 31 May 2022 £'000
Net revenue return	3,385	2,737
Net capital return	20,418	24,786
Net total return	23,803	27,523
Weighted average number of shares in issue during the year	101,303,712	104,612,102
Revenue return per share	3.34p	2.62p
Capital return per share	20.15p	23.69p
Return per share	23.49p	26.31p

7. Dividends

Amounts recognised as distributions to equity holders in the year:

	Year ended 31 May 2023 £'000	Year ended 31 May 2022 £'000
2022 final dividend 2.50p paid on 101,439,098 shares (2021: 2.00p paid on 105,473,840 shares)	2,536	2,109

Set out below is the total dividend payable in respect of the financial year under review, which is the basis on which the requirements of Section 1158 of the Corporation Tax Act 2010 are considered:

	2023 £'000	2022 £'000
2023 final dividend of 3.5p (2022: 2.5p)	3,387*	2,540**

* Based on the number of shares in issue as at 18 September 2023, the latest practicable date prior to the publication of the Annual Report and Accounts. Subject to shareholder approval at the 2023 Annual General Meeting, a final dividend of 3.5p per share will be paid on 27 November 2023 to those shareholders on the register of shareholders as at 3 November 2023 (the Record Date).

** A final dividend of 2.5p per share was paid on 28 November 2022 to those shareholders on the register of shareholders as at 4 November 2022.

NOTES TO THE ACCOUNTS continued

8. Investments

	Year ended 31 May 2023 £'000	Year ended 31 May 2022 £'000
Market value of investments at beginning of year	951,753	936,972
Net unrealised gain at beginning of year	(324,760)	(349,209)
Cost of investments at beginning of year	626,993	587,763
Purchases at cost during the year	117,592	204,779
Sales at cost during year	(104,472)	(165,549)
Cost of investments at the end of the year	640,113	626,993
Net unrealised gain at the end of the year	296,205	324,760
Market value of investments at end of year	936,318	951,753

	2023 £'000	2022 £'000
Gains on investments		
Net gain on the sale of investments	48,613	49,505
Net unrealised losses at the end of the year	(28,555)	(24,449)
Gain on investments	20,058	25,056

2023 transaction costs incurred during the year amounted to £467,138 (2022: £534,403).

9. Debtors

	2023 £'000	2022 £'000
Dividends receivable	1,275	1,397
Prepayments and accrued interest	43	35
Foreign recoverable tax	2,127	2,100
	3,445	3,532

NOTES TO THE ACCOUNTS continued

10. Creditors – amounts falling due within one year

	2023 £'000	2022 £'000
Interest payable	787	226
Investment management fee payable	1,985	2,008
Other creditors and accruals	5,290	935
Short-term bank loans*	75,000	85,000
Purchases awaiting settlement	714	472
	83,776	88,641

* As at 31 May 2023 loans of £75 million were outstanding (repayable on and renewed on 9 June 2023) under the Company's available £100 million loan facility. The Company's total drawn down borrowings as at the date of this document were £55 million. The terms of the loan facility contain covenants that the adjusted asset coverage may not be less than 3.30 to 1.00 and that the net assets of the Company be no less than £450 million. With effect from the renewal of the facility on 8 September 2023 the Company has granted a floating charge to The Bank of Nova Scotia in relation to drawn down borrowings.

11. Share premium

	2023 £'000	2022 £'000
At 1 June	204,133	204,133
At 31 May	204,133	204,133

12. Special reserve

	2023 £'000	2022 £'000
At 1 June	33,687	33,687
At 31 May	33,687	33,687

The Company may repurchase its own shares from the funds held in the special reserve when deemed appropriate by the Board.

NOTES TO THE ACCOUNTS *continued*

13. Capital redemption reserve

	2023 £'000	2022 £'000
At 1 June	45	45
At 31 May	45	45

14. Reserves

	Revenue reserve £'000	Capital reserve £'000	Total £'000
At 1 June 2022	10,942	622,681	633,623
Net return for the year	3,385	20,418	23,803
Dividends paid	(2,536)	–	(2,536)
Shares repurchased	–	(30,946)	(30,946)
At 31 May 2023	11,791	612,153	623,944

The capital reserve includes £296,205,000 of investment holding gains (2022: gains of £324,760,000). The capital reserve is not distributable except by way of redemptions or purchases of own shares per the Articles of Association. The amount of the capital reserve that is distributable is complex to determine and is not necessarily the full amount of the reserve as disclosed within these Accounts. The revenue reserve is distributable by way of a dividend.

15. Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to the equity shareholders of £862,938,000 (2022: £872,617,000) and on 98,457,598 (2022: 102,583,840) ordinary shares, being the number of ordinary shares in issue at the year end.

16. Net cash inflow from operating activities before taxation and interest

	2023 £'000	2022 £'000
Net return before finance costs and taxation	28,011	29,717
Gain on investments	(20,058)	(25,056)
Realised (gain)/loss on foreign currency	(360)	270
Decrease in Debtors	114	771
Increase in other creditors and accruals	36	127
Net cash inflow from operating activities before interest and taxation	7,743	5,829

NOTES TO THE ACCOUNTS continued

17. Analysis of changes in financing activities

	1 June 2022 £'000	Transactions in the year £'000	Cashflow £'000	31 May 2023 £'000
Bank loans	(85,000)	10,000	-	(75,000)
Equity dividends paid	-	2,536	(2,536)	-
Shares repurchased	-	26,650	(26,650)	-
Total	(85,000)	39,186	(29,186)	(75,000)

Subsequent to the financial year end, on 8 September 2023, the Company renewed its revolving credit facility with The Bank of Nova Scotia, London Branch with a maximum drawable amount of £85 million available until September 2024 and credit approval for an additional 'accordion' amount available upon application for a further £50 million. The amount of £75 million was drawn down as at the financial year end on 31 May 2023 (£55 million as at the reporting date).

18. Financial instruments

Background

The Company's financial instruments comprise securities and other investments, cash balances and term loans, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income. The numerical disclosures below exclude short-term debtors and creditors which are denominated in sterling and do not incur interest and therefore are not subject to foreign currency risk or interest rate risk.

The principal risks the Company faces in its portfolio management activities are:

- foreign currency risk;
- market price risk i.e. movements in the value of investment holdings caused by factors other than interest rate or currency movement;
- interest rate risk;
- liquidity risk; and
- credit and counterparty risk.

The Investment Manager's policies for managing these risks are summarised in the following paragraph and have been applied throughout the year.

(a) Foreign currency risk

A portion of the financial assets of the Company are denominated in currencies other than sterling with the result that the Statement of Financial Position and the Income Statement can be significantly affected by currency movements.

The Company may hedge against foreign currency movements affecting the value of the investment portfolio where adverse movements are anticipated but otherwise takes account of this risk when making investment decisions.

NOTES TO THE ACCOUNTS *continued*

18. Financial instruments *continued*

Foreign currency sensitivity

The following tables illustrate the sensitivity of the revenue and capital returns, and accordingly net assets, to exchange rates for the Sterling against the Euro, Danish Krone, Swiss Franc, Norwegian Krone and Swedish Krona. It assumes the following changes in exchange rates:

£/Euro +/- 5% (2022: nil%) £/Danish Krone +/- 5% (2022: nil%) £/Swiss Franc +/- 10% (2022: +/- 5%) £/Norwegian Krone +/- 10% (2022: +/- 5%)

This percentage has been determined based on market volatility in exchange rates over the previous twelve months. The sensitivity analysis is based on the Company's foreign currency financial instruments held at the date of the Statement of Financial Position.

If sterling had weakened against the currencies below this would have the following effect on revenue, capital, total return and, accordingly, net assets:

	2023			2022		
	Impact on revenue return £'000	Impact on capital return £'000	Total £'000	Impact on revenue return £'000	Impact on capital return £'000	Total £'000
Euro	(262)	29,076	28,814	-	-	-
Danish Krone	(61)	6,723	6,662	-	-	-
Norwegian Krone	(5)	571	566	(16)	1,730	1,714
Swiss Franc	(4)	422	418	(8)	929	921
	(332)	36,792	36,460	(24)	2,659	2,635

If sterling had strengthened against the currencies below this would have the following effect:

	2023			2022		
	Impact on revenue return £'000	Impact on capital return £'000	Total £'000	Impact on revenue return £'000	Impact on capital return £'000	Total £'000
Euro	262	(29,076)	(28,814)	-	-	-
Danish Krone	61	(6,723)	(6,662)	-	-	-
Norwegian Krone	5	(571)	(566)	16	(1,730)	(1,714)
Swiss Franc	4	(422)	(418)	8	(929)	(921)
	332	(36,792)	(36,460)	24	(2,659)	(2,635)

Note that this represents the impact of investment valuations and management fees only.

NOTES TO THE ACCOUNTS continued

18. Financial instruments continued

(b) Market price risk

By the very nature of its activities, the Company's investments are exposed to market price fluctuations. The Board reviews and agrees policies for managing this risk. The Investment Manager assesses the exposure to market price risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis. Further information on the investment portfolio and investment policy is set out in the Investment Manager's review.

Other price risk sensitivity

The following illustrates the sensitivity of the profit after taxation for the year and the total equity to an increase or decrease of 20% (2022: 20%) in the fair value of the Company's equities. This level of change is considered to be reasonably possible based on observation of market conditions during the year. The sensitivity analysis is based on the Company's equities at each year-end date, with all other variables (except management and performance fees) held constant in the fair value price of the Company's equities.

The impact of a 20% increase in the value of investments on the capital return is an increase of £187,264,000 (2022: £190,351,000) due to the increase in investments.

The impact of a 20% fall in the value of investments on the capital return is a decrease of £187,264,000 (2022: £190,351,000) due to the decrease in investments.

(c) Interest rate risk

Interest rate movements may affect:

- the fair value of investments of any fixed interest securities;
- the level of income receivable from any floating interest-bearing securities and cash at bank and on deposit; and
- the interest payable on the Company's floating interest term loans.

The Board reviews regularly the values of the Company's fixed interest rate securities. The Board imposes limits on the Company's borrowing to ensure gearing levels are appropriate to market conditions, and these are monitored and reviewed on a regular basis. The Company's borrowings are conducted through a fixed rate facility, which allows the Investment Manager to finance opportunities at competitive rates.

Interest rate sensitivity

As interest rates for any short-term loans are fixed at the commencement of the loan, only cash at call are subject to interest rate movements.

All such deposits at call, earn interest at the applicable daily rate. At 31 May 2023, if interest rates on the £75 million drawn down under the Company's loan facility on that date (2022: £85 million) had been lowered by 25 basis points, with all other variables held constant, the increase in net assets attributable over the year would have been £187,500 (2022: £212,500).

NOTES TO THE ACCOUNTS *continued*

18. Financial instruments *continued*

The financial assets (excluding short-term debtors) consist of:

	2023			2022		
	Floating rate £'000	Non-interest bearing £'000	Total £'000	Floating rate £'000	Non-interest bearing £'000	Total £'000
Sterling	5,852	210,407	216,259	565	205,756	206,321
Euro	760	581,515	582,275	5,266	585,820	591,086
Danish Krone	328	134,464	134,792	-	107,003	107,003
Norwegian Krone	-	5,713	5,713	142	34,602	34,744
Swiss Franc	11	4,219	4,230	-	18,572	18,572
	6,951	936,318	943,269	5,973	951,753	957,726

The floating rate assets consist of cash deposits at call. Sterling cash deposits at call earn interest at floating rates based on daily Sterling Overnight index Average (SONIA) rates.

The non-interest bearing assets represent the equity element of the investment portfolio at 31 May 2023.

The financial liabilities consist of:

	2023			2022		
	Fixed rate £'000	Non-interest bearing £'000	Total £'000	Fixed rate £'000	Non-interest bearing £'000	Total £'000
Sterling	75,000	8,776	83,776	85,000	3,641	88,641
	75,000	8,776	83,776	85,000	3,641	88,641

The fixed rate liabilities consist of a short-term bank loan with The Bank of Nova Scotia, London Branch.

(d) Liquidity risk

Liquidity risk is not considered significant. All liabilities are payable within three months.

The Company's assets comprise mainly readily realisable securities which can be sold to meet funding requirements if necessary. Short-term flexibility is achieved through the use of short-term borrowings.

(e) Credit and counterparty risk

Credit risk is the exposure to loss from the failure of a counterparty to deliver securities or cash for acquisitions or disposals of investments or to repay deposits. The Company manages credit risk by using brokers from a database of approved brokers who have undergone rigorous due diligence tests by Devon's risk management team and by dealing through Devon only with banks approved by the Financial Conduct Authority. The Board reviews credit risk on a quarterly basis. The maximum exposure to credit risk at 31 May 2023 was £10,396,000 consisting of short-term debtors and cash and cash equivalents (2022: £9,505,000) none of which was credit impaired.

NOTES TO THE ACCOUNTS continued

18. Financial instruments continued

The calculation is based on the Company's credit exposure as at 31 May 2023. The adoption of the expected credit loss model for impairment under IFRS 9 has not had a material impact on the Company.

The Company holds only trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its trade receivables. Therefore, the Company recognises a loss allowance based on lifetime ECLs at each reporting date. The Company's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. In the Investment Manager's opinion, due to the low level of expected future losses on cash and receivables, no provision has been made for ECLs.

(f) Fair value of financial assets and financial liabilities

The financial assets and financial liabilities are carried in the Statement of Financial Position at their fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, short-term bank loans and cash at bank).

Fair value hierarchy

IFRS 13 'Fair Value Measurement' requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

Level 1 reflects financial instruments quoted in an active market.

Level 2 reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

Level 3 reflects financial instruments whose fair value is determined in whole using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same instrument and not based on available observable market data.

The financial assets measured at fair value in the Statement of Financial Position are grouped into the fair value hierarchy as follows:

	2023				2022			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	936,318	-	-	936,318	951,753	-	-	951,753

(g) Use of derivatives

Pursuant to the Company's stated investment policy, the Company does not invest in derivative instruments, whether for efficient portfolio management, gearing or investment purposes.

(h) Capital management policies and procedures

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

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

NOTES TO THE ACCOUNTS *continued*

18. Financial instruments *continued*

- the need for new issues of equity shares, including shares from treasury; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

The Company is subject to several externally imposed capital requirements:

- The value of any short-term loans must be supported by a level of readily realisable assets.
- As a public company, the Company has a minimum share capital of £50,000.
- In order to be able to pay dividends out of profits available for distribution, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

These requirements are unchanged since last year, and the Company has complied with them.

As at 31 May 2023 the Company's total capital was £862,938,000 (2022: £872,617,000) made up of:

	2023 £'000	2022 £'000
Ordinary shares	1,129	1,129
Reserves	861,809	871,488
Total capital	862,938	872,617

19. Related parties and the Investment Manager/AIFM

Devon Equity Management Limited ('Devon') has served as Investment Manager to the Company since 15 November 2019 and became AIFM on 1 July 2022.

With effect from 1 June 2020, Devon had been entitled to aggregate management fees of 0.90% per annum of net assets (i.e. excluding drawn down borrowings under the Company's loan facilities) up to £1 billion and 0.80% per annum on any net assets over this amount.

With effect from 1 June 2023, Devon has been entitled to reduced aggregate management fees of 0.80% per annum of net assets up to £1 billion; 0.70% per annum on any net assets over £1 billion up to £1.25 billion; and 0.60% per annum on any net assets over this amount. All other terms and conditions in the investment management agreement remain unaltered. No performance fee is payable to Devon.

The fee payable to Devon for the period from 1 June 2022 to 31 May 2023 was £7,733,000 (2022: £8,404,000) with £1,985,000 outstanding at period end (2022: £2,008,000).

Fees payable to the Directors for the year ended 31 May 2023 were £176,000 (2022: £180,000) with £34,000 outstanding at year end (31 May 2022: £34,000). Fees paid to Directors and their interests in shares of the Company are disclosed within the Directors' Remuneration Report on pages 56 to 60.

NOTES TO THE ACCOUNTS continued

20. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments outstanding as at 31 May 2023 (2022: nil).

21. Called-up share capital

	Number 000	2023 £'000	Number 000	2022 £'000
Authorised				
Ordinary shares of 1p each	305,000	3,050	305,000	3,050
Issued, called-up and fully paid				
Ordinary shares of 1p each				
Balance brought forward	102,584	1,026	106,636	1,067
Repurchase of ordinary shares into treasury*	(4,126)	(41)	(4,052)	(41)
Closing balance of ordinary shares	98,458	985	102,584	1,026
Treasury shares				
Balance brought forward	10,291	103	6,239	62
Repurchase of ordinary shares into treasury	4,126	41	4,052	41
Closing balance of ordinary shares held in treasury	14,417	144	10,291	103
Total	112,875	1,129	112,875	1,129

* During the year to 31 May 2023, the Company purchased 4,126,242 ordinary shares to be held in treasury.

22. Events after the reporting period

Since the financial year end a total of 1,670,207 ordinary shares have been purchased to be held in treasury (as at 18 September 2023).

The reduction in fees payable to the Investment Manager with effect from 1 June 2023 are described in note 19, above.

On 8 September 2023, the Company renewed its revolving credit facility with The Bank of Nova Scotia, London Branch with a maximum drawable amount of £85 million available until 8 September 2024 and credit approval for an additional 'accordion' amount available upon application for a further £50 million. The loan facility is subject to a new floating charge in favour of The Bank of Nova Scotia in relation to amounts drawn under the facility. The amount drawn under the facility at the time of reporting was £55 million.

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES

Alternative Investment Fund – an Alternative Investment Fund ('AIF') is defined as a collective investment undertaking, including investment compartments of such an undertaking, which (1) raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and (2) does not require authorisation under the UCITS regime. The Company is an AIF.

AIFM/Alternative Investment Fund Manager – an Alternative Investment Fund Manager ('AIFM') is an entity that provides certain investment services to an AIF, including portfolio and risk management services.

Alternative Investment Fund Managers Directive – a European Union Directive to provide a harmonised framework for monitoring and supervising risks posed by AIFMs and the AIFs they manage, and for strengthening the internal market in alternative funds. This directive was transitioned into UK law pursuant to Brexit negotiations.

Alternative Performance Measures – The European Securities and Markets Authority ('ESMA') published its guidelines on Alternative Performance Measures ('APMs'). APMs are defined as being a 'financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable accounting framework.'

Benchmark – The Company's primary Benchmark Index, against which its performance is measured, is MSCI Europe index, total return in GBP.

Discount or Premium* – The share price of the Company is derived from buyers and sellers trading its shares on the stock market. The share price is not identical to the net asset value per share of the Company. If the share price is lower than NAV per share, the shares are trading at a discount. 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 May 2023 pence	31 May 2022 pence
Net asset value per share	(a)	876.5	850.6
Share price	(b)	781.0	746.0
(Discount) or premium (c = (b-a)/a)	(c)	(10.9%)	(12.3%)

Discount management – Discount management is the process of the buyback or issuance of the Company's own shares by the Company, to and from its own holding or into 'treasury' with the intention of managing any imbalance between supply and demand for the Company's shares and thereby the market price. The aim is to ensure that, in normal market conditions, the market price of the Company's shares will not materially vary from its net asset value per share. The authority to repurchase or issue the Company's own shares is voted upon by the shareholders at each Annual General Meeting.

Gearing* – Gearing is the borrowing of cash to buy more assets for the portfolio with the aim of making a gain on those assets larger than the cost of the loan. However, if the portfolio doesn't perform well the gain might not cover the costs. The more an investment company gears, the higher the risk. Gearing is typically expressed as a percentage of shareholders' funds.

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES *continued*

Borrowings have a prior charge over the assets of the Company, ranking before ordinary shareholders in their entitlement to capital and/or income. Borrowings may include preference shares; debentures; overdrafts and short and long-term loans from banks. 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 the Directors' Report on pages 26 and 41, respectively.

Gearing

		31 May 2023 £'000	31 May 2022 £'000
Loan		75,000	85,000
Less cash and cash equivalents [†]		1,479	(2,564)
Total	(a)	76,479	82,436
Net asset value	(b)	862,938	872,617
Gearing (c = a/b)^{††}	(c)	8.9%	9.4%

† Includes unsettled transactions as at close of business on 31 May 2023 of £8,430,000. The settlement of these transactions resulted in a temporary creditor of £1,479,000. This amount is added to the loan amount in the table above.

†† Gross (unadjusted for cash and cash equivalents) gearing at year end was 8.7% (2022: 9.7%).

Leverage

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

The Board has set maximum levels of leverage that it considers to be reasonable. Devon has implemented systems to calculate and monitor compliance against these limits and has ensured that the limits have been complied with at all times.

- The maximum permitted leverage calculated on the gross basis is 1.5 times. As at 31 May 2023 gross leverage calculated on the gross basis was 1.08 times (2022: 1.10 times); and
- The maximum permitted leverage calculated on the commitment basis is 2.0 times. As at 31 May 2023 leverage calculated on the commitment basis was 1.09 times (2022: 1.10 times).

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES *continued*

Middle market price – The mid-market price is the mid-point between the buy and the sell prices.

Net asset value – The net asset value in relation to the Company is the market value of its assets less its liabilities (and is sometimes also referred to as Shareholders' funds). The market value is usually determined by the price at which an investor can redeem a share. For valuation purposes it is common to express the net asset value on a per share basis.

Ongoing charges ratio* – Ongoing charges are the total expenses including both the investment management fee and other costs. The costs of buying and selling investments are excluded, as are interest costs on the Company's loan facility, taxation, performance fees, non-recurring costs and the costs of buying back or issuing shares. The ongoing charges ratio is expressed as a percentage of net asset value.

		31 May 2023 £'000	31 May 2022 £'000
Management fee		7,733	8,404
Other expenses		951	1,035
Total	(a)	8,684	9,439
Average daily net assets	(b)	854,560	927,616
Ongoing charges c= (a/b)*100	(c)	1.02	1.02

Return – The return generated in a given period from the investments:

- **Revenue return** – reflects the dividend and interest from investments and other income net of expenses, finance costs and taxation;
- **Capital return** – reflects the capital gain or loss, excluding any revenue return; and
- **Total return*** – reflects the aggregate of revenue and capital returns and is 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 net asset value in the period. The dividends are assumed to have been re-invested in the form of shares or net assets, respectively, on the date on which the shares were quoted ex-dividend.

	2023	
	Net asset value	Share price
Net asset value/share price per share at 31 May 2022 (pence)	850.6	746.0
Net asset value/share price per share at 31 May 2023 (pence)	876.5	781.0
Change in the period under review	3.0%	4.7%
Impact of dividend added back on payment date	0.3%	0.3%
Total return for the year	3.3%	5.0%

Shareholders' funds – Shareholders' funds are also described as net assets of the Company and represent the total value of the Company's assets less the total value of its liabilities.

Treasury shares – Ordinary shares of the Company that have been repurchased by the Company and not cancelled but held in Treasury. These shares do not pay dividends, have no voting rights and are excluded from the net asset value per share calculation.

* An Alternative Performance Measure.

COMPANY INFORMATION

Directors

Matthew Dobbs (Chair)
Sharon Brown
Virginia Holmes
Jeroen Huysinga
The Rt Hon Lord Lamont of Lerwick
Manisha Shukla (appointed on 1 September 2023)
Andrew Sutch (retired on 16 November 2022)

Registered office

123 Victoria Street
London
SW1E 6DE

www.devonem.com
www.europeanopportunitiestrust.com

Telephone: 0203 985 0445
Email: enquiries@devonem.com

AIFM (to 30 June 2022)

FundRock Partners Limited
52-54 Gracechurch Street
London EC3V 0EH

Authorised and regulated by the Financial Conduct Authority

Investment Manager, Company Secretary and AIFM (with effect from 1 July 2022)

Devon Equity Management Limited
123 Victoria Street
London
SW1E 6DE

Authorised and regulated by the Financial Conduct Authority

Custodian, Administrator and provider of company secretarial services

J.P. Morgan Chase Bank N.A.
25 Bank Street
Canary Wharf
London
E14 5JP

Authorised and regulated by the Financial Conduct Authority

Depository

J.P. Morgan Europe Limited
25 Bank Street
Canary Wharf
London
E14 5JP

Authorised by the Prudential Regulation Authority and regulated by the
Financial Conduct Authority and Prudential Regulation Authority

COMPANY INFORMATION *continued*

Registrar

Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL

Telephone: 0371 664 0300

Lines are open from 9.00am to 5.30pm Monday to Friday. Calls are charged at the standard geographic rate and will vary by provider.

Telephone (international): +44 (0)371 664 0300

(Calls outside the United Kingdom will be charged at the applicable International rate)

www.linkgroup.eu

Email: enquiries@linkgroup.co.uk

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Broker (appointed 16 November 2022)

Singer Capital Markets
1 Bartholomew Lane
London
EC2N 2AX

Authorised and regulated by the Financial Conduct Authority

Company information

Registered at Companies House in England & Wales with number 4056870
An investment Company under s.833 of the Companies Act 2006

LEI: 549300XN7RXQWHN18849

FATCA GIIN: G0YWWMG.99999.SL.826

Sedol: 0019772

ISIN: GB0000197722

Ticker: EOT.LN



The Company is a member of The Association of Investment Companies ('AIC') from whom general information on investment trusts can be obtained by telephoning 020 7282 5555 or by email to enquiries@theaic.co.uk.

FURTHER INFORMATION

Dividend Reinvestment Plan (DRIP)

The registrars offer a DRIP which gives ordinary shareholders the opportunity to use their cash dividend to buy further shares in the Company under a low-cost dealing arrangement. Terms and Conditions and an application form are enclosed with each dividend payment. For more information please email shares@linkgroup.co.uk or call 0371 664 0381.

Share Dealing Services

Link Group operate an online and telephone dealing facility for UK resident shareholders with share certificates. Stamp duty and commission may be payable on transactions. For further information on these services please contact: www.linksharedeal.com for online dealing or 0371 664 0445 for telephone dealing. Lines are open 8.00 am to 4.30 pm Monday to Friday (UK time). Calls to the helpline number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

Share Portal

Link Group offer shareholders a free online service called Share Portal, enabling shareholders to access a comprehensive range of shareholder related information. Through Share Portal, shareholders can: view their current and historical shareholding details; obtain an indicative share price and valuation; amend address details; view details of dividend payments; and apply for dividends to be paid directly to a bank or change existing bank details. Shareholders can access these services at www.signalshares.com. Shareholders will need to register for a Share Portal Account by completing an on-screen registration form. An email address is required.

Common Reporting Standard

With effect from 1 January 2016, The Organisation for Economic Cooperation and Development ('OECD') introduced Regulations for Automatic Exchange of Financial Account Information (the Common Reporting Standard, 'CRS'). HMRC enacted the CRS in the UK through The International Tax Compliance Regulations 2015.

These Regulations require all financial institutions to share certain information on overseas shareholders with HMRC. Accordingly, the Company is required to provide information to HMRC on the tax residencies of a few non-UK based certificated shareholders and corporate entities on an annual basis. HMRC will in turn exchange this information with tax authorities in the country in which the shareholder may be resident for taxation purposes. HMRC has advised that the Company will not be required to provide such information on uncertificated holdings held through CREST. The Company has engaged Link Asset Services to provide such information on certificated holdings to HMRC, the deadline being 31 May annually.

Capital Gains Tax information

The closing middle market price of ordinary shares on the first date of dealing (20 November 2000) for Capital Gains Tax purposes was 101.5p.

FURTHER INFORMATION *continued*

MSCI data

This document contains information based on the MSCI Europe index. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

UK Alternative Investment Fund Managers (AIFM) Regulations

In accordance with the UK AIFM Regulations, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Devon, is required to be made available to investors. In accordance with the Regulations, the AIFM remuneration policy is available at www.devonem.com or on request. The numerical remuneration disclosures in respect of the AIFM's reporting period (year ended 31 December 2022) are also available at www.devonem.com.

AIFM Investor Disclosure Document

Investment trusts are public companies traded on the London Stock Exchange which are subject to the Listing Rules of the Financial Conduct Authority (FCA). They are not authorised or regulated by the FCA. The UK Alternative Investment Fund Managers Regulations require certain information to be made available to investors prior to their investment in the Company. The Company's Investor Disclosure Document is available for viewing at www.europeanopportunities.com.

Sustainable Finance Disclosure Regulation ('SFDR')

The EU Sustainable Finance Disclosure Regulation ('SFDR') does not have a direct impact in the UK due to Brexit, however, it applies to third-country products marketed in the EU. As the Company is marketed in the EU by the Investment Manager via the National Private Placement Regime ('NPPR') the following disclosures have been provided to comply with the high-level requirements of SFDR:

The Investment Manager has published its policy on integration of sustainability risks in investment decisions. Its approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment. More details on Devon's approach to sustainability can be found at www.devonem.com.

FURTHER INFORMATION continued

EU Taxonomy Regulation

The Taxonomy Regulation establishes an EU-wide framework of criteria for environmentally sustainable economic activities in respect of six environmental objectives. It builds on the disclosure requirements under SFDR by introducing additional disclosure obligations in respect of alternative investment funds that invest in an economic activity that contributes to an environmental objective. The Company does not commit to make sustainable investments as defined under SFDR. As such, the underlying investments do not take into account the EU criteria for environmentally sustainable economic activities.

UK Data Protection

The Company is committed to ensuring the confidentiality and security of any personal data provided to it. Further details on how personal data is held and processed by Devon on behalf of the Company can be found in the privacy policy available at www.europeanopportunities.com.

How to Invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker or by asking a professional adviser to do so. If you are interested in investing directly in the Company, you can do so online. There are a number of companies offering real time online dealing services. Find out more by visiting the investment trust www.europeanopportunities.com.

Further Information

Visit www.europeanopportunities.com for factsheets containing key information about performance, portfolio and pricing, the most recent annual and half-yearly Reports and Accounts and investor insights from Devon. Should you wish to be added to an email distribution list for future newsletters, please send an email to enquiries@devonem.com.

NOTICE OF ANNUAL GENERAL MEETING

This Notice of Meeting is an important document. If you are in any doubt as to what action to take, you should consult an appropriate independent adviser.

Notice is hereby given that the Annual General Meeting of European Opportunities Trust PLC will be held at the offices of Devon Equity Management Limited, 123 Victoria Street, London, SW1E 6DE at 11.00 am on Wednesday, 15 November 2023.

Shareholders will be asked to consider and, if thought fit, pass resolutions 1 to 12 which will be proposed as ordinary resolutions, and resolutions 13 to 16, which will be proposed as special resolutions:

ORDINARY BUSINESS

1. That the Report of the Directors and the Audited Accounts of the Company for the year ended 31 May 2023 be received.
2. That the Directors' Remuneration Policy be approved.
3. That the Directors' Remuneration Report for the year ended 31 May 2023 be approved.
4. That a final dividend of 3.5p per ordinary share be paid in respect of the financial year ended 31 May 2023.
5. That Matthew Dobbs be re-elected as Director of the Company.
6. That Jeroen Huysinga be re-elected as a Director of the Company.
7. That Sharon Brown be re-elected as a Director of the Company.
8. That The Rt Hon Lord Lamont of Lerwick be re-elected as a Director of the Company.
9. That Manisha Shukla be elected as a Director of the Company.
10. That PricewaterhouseCoopers LLP be re-appointed as Auditors of the Company.
11. That the Directors be authorised to agree the remuneration of the Auditors.

SPECIAL BUSINESS

12. That the Company continue in being as an investment trust.
13. That the Directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the 'Act'), in substitution for and to the exclusion of any outstanding authority previously conferred on the Directors under Section 551 of the Act, to allot shares in the capital of the Company ('shares') up to a maximum aggregate nominal amount of £320,000 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted after such expiry and the Directors may allot shares in pursuance of such an offer or agreement as if the authority hereby conferred had not expired.
14. That the Directors of the Company be and are hereby granted power pursuant to Section 570 and/or Section 573 of the Companies Act 2006 ('the Act') to allot equity securities (within the meaning of Section 560 of the Act) for cash either pursuant to the authority conferred by Resolution 13 or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - (a) the allotment of equity securities up to an aggregate nominal amount of £96,000 and;
 - (b) in addition to the authority referred to in (a) above, an offer of equity securities by way of a rights issue or open offer to ordinary shareholders in proportion as nearly as may be practicable to their existing holdings subject to such limits or restrictions or other arrangements as the Directors may deem necessary or expedient to deal with any treasury shares, fractional entitlements or securities represented by depositary receipts, record dates, legal, regulatory or practical problems in, or under the laws or requirements of, any territory or the requirements of any regulatory body or stock exchange or any other matter,

NOTICE OF ANNUAL GENERAL MEETING continued

provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the authority hereby conferred had not expired.

15. That the Company be and is generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make one or more market purchases (within the meaning of Section 693 of the Act) of ordinary shares provided that:

(a) the maximum number of shares that may be purchased is 14,500,000 ordinary shares, being 14.99% of the issued number of ordinary shares at the date of this document or, if lower, such number as is equal to 14.99% of the issued number of ordinary shares at the date of passing the resolution;

(b) the minimum price which may be paid shall be one pence per ordinary share;

(c) the maximum price (excluding the expenses of such purchase) which may be paid for each ordinary share is the higher of:

(i) 105% of the average middle market quotations for such ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is purchased; and

(ii) the higher of the price of the last independent trade in the ordinary shares and the highest then current independent bid for an ordinary share as derived from the London Stock Exchange; and

(d) unless renewed, the authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may, prior to such expiry, enter into a contract to purchase shares which will or may be completed or executed wholly or partly after such expiry.

16. That a General Meeting other than the Annual General Meeting may be called on not less than 14 clear days' notice.

By order of the Board

Devon Equity Management Limited
Company Secretary
123 Victoria Street
London SW1E 6DE
21 September 2023

NOTES FOR ANNUAL GENERAL MEETING

1. The 2023 AGM will be held in person at the Company's registered office. A Member entitled to attend and vote may appoint a proxy or proxies to attend, speak and vote instead of him or her. A proxy need not be a Member of the Company. A form of proxy, if used, must be lodged at the Company's registrars, Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL not less than 48 hours (excluding non-business days) before the Meeting (or, in the case of adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). To appoint more than one proxy you may photocopy a paper proxy. You may appoint a person other than the Chair as your proxy. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
2. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be entered on the Company's Register of Members 48 hours prior to the Meeting. If the Meeting is adjourned then, to be so entitled, Members must be entered on the Company's Register of Members 48 hours prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.
3. Electronic proxy voting is available for this meeting. If you would like to submit your voting instructions using the web-based voting facility please go to www.signalshares.com. If you have not already registered with Signal Shares you will need your Investor Code which can be found on your share certificate or a recent dividend certificate. Once registered you will be able to vote immediately by selecting 'Proxy Voting' from the menu.
4. Link Group, the Company's registrar, has launched a shareholder app: LinkVote+. It's free to download and use and gives shareholders the ability to access their shareholding record at any time and allows users to submit a proxy appointment quickly and easily online rather than through the post. The app is available to download on both the Apple App Store and Google Play. QR codes to facilitate this are shown below.



Apple App Store



GooglePlay

5. 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 Link Group. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged not less than 48 hours prior to the time of the Meeting as specified in the Notice of Annual General Meeting 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. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.
6. If you require a paper form of proxy please email the Company's registrar, Link Group, at shareholderenquiries@linkgroup.co.uk or you may call Link on 0371 664 0300 or, if calling from overseas, on +44 (0) 371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.
7. Completion and return of a form of proxy (or the electronic appointment of a proxy) will not preclude a shareholder from attending and voting at the AGM should they wish.

NOTES FOR ANNUAL GENERAL MEETING continued

8. As at 18 September 2023, being the latest practicable date prior to the publication of this notice, the Company's issued share capital consisted of 112,875,331 ordinary shares of 1p each, of which 16,087,940 were held in treasury. As a result, the total voting rights as at 18 September 2023 was 96,787,391.
9. The vote 'Withheld' is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Withheld' vote is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
10. 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. 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 CREST's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or 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 Company's agent ID (RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. Unless otherwise indicated on the Form of Proxy, CREST, Proxymity or any other electronic voting instruction, the proxy will vote as they think fit or, at their discretion, withhold from voting.

11. If you have disposed of your holding in the Company the report should be passed on to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.
12. Any person to whom this Notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
13. A copy of the Notice of Meeting and other information required by section 311A of the Companies Act 2006, can be found at www.europeanopportunitiestrust.com.
14. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may properly be included in the business at the meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by

NOTES FOR ANNUAL GENERAL MEETING continued

a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

15. Under Section 527 of the Act, Members meeting the threshold requirement set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's Accounts (including the auditors' report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstances connected with an auditors of the Company ceasing to hold office since the previous AGM at which the annual Accounts and reports were laid in accordance with Section 437 of the Act. The Company may not require the Members requesting any such website publication to cover any costs incurred in complying with Section 527 or 528 and is required to forward any statement placed on a website to the Company's auditors not later than the time when it makes the statement on the website. The business which may be dealt with at the Meeting includes any statements that the Company has been required under Section 527 of the Act to publish on a website.
16. Shareholders are advised that, unless otherwise stated, any telephone number, website and email address set out in this Notice of Meeting, Form of Proxy, or Annual Report should not be used for the purpose of serving information on the Company (including the service of documents or information relating to the proceedings at the Company's AGM).
17. International financial sanctions regimes, including those related to the ongoing war in Ukraine, may constrain the ability of shareholders subject to sanctions to exercise the rights attaching to their ordinary shares, including rights to vote, and to have those votes recognised by the Company. The Company's obligation to take into account the votes of its shareholder will, at all times, remain subject to compliance with all applicable laws and regulations.
18. Shareholders are advised that unacceptable behaviour will not be tolerated at the AGM and will be dealt with appropriately by the Chair.
19. Should you have any queries about voting or the Annual General Meeting please contact the Company's registrars Link Group, whose contact details are set out on page 95.



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The carbon offset projects are audited and certified according to international standards and demonstrably reduce emissions.

DEVON

Equity Management

None of the views expressed in this document should be construed as advice to buy or sell a particular investment. For further information about the Company please visit www.europeanopportunities.com or scan the following QR code:

