

**BlackRock**<sup>®</sup>

# **BlackRock Greater Europe Investment Trust plc**

Annual Report and Financial Statements 31 August 2023



## Keeping in touch

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To ensure that you are kept abreast, please scan the QR code to the right of this page to visit our website. If you have a smartphone, you can activate the QR code by opening the camera on your device and pointing it at the QR code. This will then open a link to the relevant section on the Company's website. By visiting our website, you will have the opportunity to sign up to our monthly newsletter which includes our latest factsheets and market commentary as well as upcoming events and webinars. Information about how we process personal data is contained in our privacy policy available on our website. Further information about the Company can be found at [www.blackrock.com/uk/bdge](http://www.blackrock.com/uk/bdge).

General enquiries about the Company should be directed to the Company Secretary at: [cosec@blackrock.com](mailto:cosec@blackrock.com).



Use this QR code to take you to the Company's website where you can sign up to monthly insights and factsheets.





# Financial highlights

as at 31 August 2023

**560.11p**

NAV per ordinary share

**+19.2%<sup>1,2</sup>**

**1916.71**

Reference index

**+15.8%<sup>1</sup>**

**527.00p**

Ordinary share price

**+17.1%<sup>1,2</sup>**

**£565.7m**

Net assets

**+16.9%**

**6.75p**

Total dividends

**2.3%**

**1.3%<sup>2,3</sup>**

Yield

**6.85p**

Revenue earnings per ordinary share

**-10.5%<sup>2</sup>**



The above financial highlights are at 31 August 2023 and percentage comparisons are year-on-year against 31 August 2022.

<sup>1</sup> Mid-market share price, NAV and reference index performance are calculated in Pound Sterling terms with dividends reinvested.

<sup>2</sup> Alternative Performance Measures, see Glossary on pages 123 to 127.

<sup>3</sup> Based on dividends paid and declared for the year ended 31 August 2023 and share price as at 31 August 2023.



Our technology exposure increased over the period. Semiconductor specialist and new addition STMicroelectronics is a global Integrated Device Manufacturer with more than 9,000 research and development employees.

PHOTO COURTESY AND © OF STMICROELECTRONICS. USED WITH PERMISSION.

# Why BlackRock Greater Europe Investment Trust plc?

## Investment objective

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

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

## Reasons to invest



### Conviction

A concentrated portfolio focusing on the best ideas existing within the European Equity Market. Not constrained by market cap, sub-sector or region, the Portfolio Managers can invest across the breadth of the European market, comprising a portfolio of the best 30-45 investment ideas.



### Long-term focus

Looking through the daily noise which impacts the market for the best long-term opportunities. We wish to be an investor in companies, not a trader of shares. We look to align ourselves with the best management teams in the region which we believe have the ability to create value for shareholders over the long term.



### Risk aware

The portfolio is concentrated but highly risk aware. The Portfolio Managers aim to ensure risk and returns are diversified by end market exposures. They work closely with partners in the BlackRock Risk and Quantitative Analysis team to ensure that portfolio risk is deliberate, diversified and scaled.



### Personnel

The Company benefits from the 22-strong European Equity team within BlackRock's Fundamental Equity division.



### High quality

The Company is designed for investors looking to invest in a selection of Europe's highest quality, fastest-growing companies, irrespective of their size and geography.

# Contents

## **Section 1: Overview and performance**

Financial highlights	1
Why BlackRock Greater Europe Investment Trust plc?	2
Performance record	4
Chairman's Statement	5
Investment Manager's Report	9

## **Section 2: Portfolio**

Investment process and philosophy	18
Ten largest investments	21
Investments	23
Investment exposure	25

## **Section 3: Governance**

Governance structure	28
Directors' biographies	29
Strategic Report	31
Directors' Report	47
Directors' Remuneration Report	55
Directors' Remuneration Policy	59
Corporate Governance Statement	61
Report of the Audit and Management Engagement Committee	67
Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements	73

## **Section 4: Financial statements**

Independent Auditor's Report	76
Income Statement	83
Statement of Changes in Equity	84
Balance Sheet	85
Statement of Cash Flows	86
Notes to the Financial Statements	87

## **Section 5: Additional information**

Shareholder information	108
Analysis of ordinary shareholders	111
Historical record	112
Management and other service providers	113
AIFM Report on Remuneration	114
Other AIFMD disclosures	119
Information to be disclosed in accordance with Listing Rule 9.8.4	120
Letter from the outgoing auditor	121
Depository report	122
Glossary	123

## **Section 6: Annual general meeting**

Notice of annual general meeting	130
Share fraud warning	135

Cover: Amsterdam, The Netherlands.

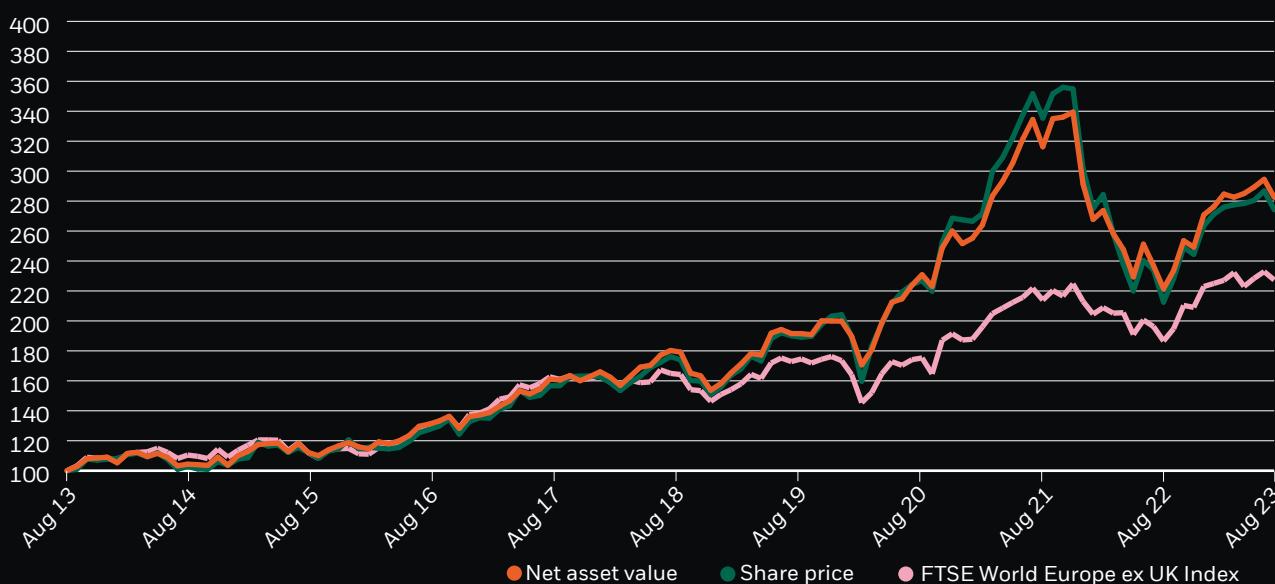
# Performance record

	As at 31 August 2023	As at 31 August 2022
Net assets (£'000) <sup>1</sup>	565,710	483,799
Net asset value per ordinary share (pence)	560.11	475.72
Ordinary share price (mid-market) (pence)	527.00	456.00
Discount to cum income net asset value <sup>2</sup>	5.9%	4.1%
FTSE World Europe ex UK Index	1916.71	1654.61

	For the year ended 31 August 2023	For the year ended 31 August 2022
<b>Performance (with dividends reinvested)</b>		
Net asset value per share <sup>2</sup>	19.2%	-29.2%
Ordinary share price <sup>2</sup>	17.1%	-33.4%
FTSE World Europe ex UK Index	15.8%	-11.5%

	For the year ended 31 August 2023	For the year ended 31 August 2022	Change %
<b>Revenue</b>			
Net profit on ordinary activities after taxation (£'000)	6,920	7,728	-10.5
Revenue earnings per ordinary share (pence) <sup>3</sup>	6.85	7.65	-10.5
<b>Dividends (pence)</b>			
Interim dividend	1.75	1.75	-
Final dividend	5.00	4.85	+3.1
<b>Total dividends payable/paid</b>	<b>6.75</b>	<b>6.60</b>	<b>+2.3</b>

## Performance over the ten years to 31 August 2023



Sources: BlackRock and Datastream.

Performance with dividends reinvested in Pound Sterling terms, rebased to 100 at 1 September 2013.

<sup>1</sup> The change in net assets reflects payments for shares repurchased into treasury, portfolio movements and dividends paid.

<sup>2</sup> Alternative Performance Measures, see Glossary on pages 123 to 127.

<sup>3</sup> Further details are given in the Glossary on page 126.

# Chairman's Statement

# Dear Shareholder



**Eric Sanderson**  
Chairman

## Introduction

2023 has turned out to be a better year for both markets and economies than envisaged, whereas 2022 was a challenging year for investors as stocks and bonds fell together. Having lost its biggest supplier of energy following Russia's invasion of Ukraine, feared economic disruption caused by energy shortages never materialised due to warmer temperatures and effective stock piling of natural gas. However, energy prices were significantly higher and substantial financial support has been given to Ukraine from across the region. A swift intervention by central banks following three large bank failures in the US and the rescue of Credit Suisse in Europe also helped stabilise markets. Although the region has faced economic headwinds and there has been a steady deterioration in the manufacturing sector, respite has been provided by the larger services sector and consumer spending post the COVID-19 pandemic.

## Performance

Against this background, I am pleased to report that the portfolio performed well during the year, delivering a strong positive return and outperforming its reference index, the FTSE World Europe ex UK Index. The Company's net asset value per share (NAV) returned +19.2% and the share price +17.1%. In comparison, the reference index returned +15.8% over the same period (all percentages calculated in Pound Sterling terms with dividends reinvested). As at 31 August 2023, our Company's NAV total return has outperformed every other investment trust in the AIC Europe sector over one and five year periods.

More details on this and the significant contributors to and detractors from performance during the year are given in the Investment Manager's Report on pages 9 to 15. Since the financial year end equity markets have faced a challenging environment and, up to close of business on 3 November 2023, the Company's NAV has decreased by 4.8% compared with a fall in the reference index of 2.0% over the same period.

## Revenue earnings and dividends

Your Company's total revenues each year are a reflection of the dividends we receive from portfolio companies. The revenue return per share for the year ended 31 August 2023 declined to 6.85p per share, which compares with 7.65p per share for the previous year, a fall of 10.5%.

In April, the Board declared an interim dividend of 1.75p per share (2022: 1.75p) and is now proposing the payment of a final dividend of 5.00p per share for the year (2022: 4.85p). This, together with the interim dividend, makes a total dividend for the year of 6.75p per share (2022: 6.60p), an increase of 2.3%. The dividend will be funded from revenue received in the year. Subject to shareholder approval, the dividend will be paid on 20 December 2023 to shareholders on the Company's register on 17 November 2023, the ex-dividend date being 16 November 2023.

## Management of share rating

The Directors recognise the importance to investors that the market price of the Company's shares should not trade at a significant premium or discount to the underlying NAV. Accordingly, in normal market conditions, the Board may use the Company's share buy back and share issue powers, or operate six monthly tender offers, to ensure that the share price does not go to an excessive discount or premium to the underlying NAV. Resolutions to renew the Company's semi-annual tender offers and the authorities to issue and buy back shares will be put to shareholders at the forthcoming Annual General Meeting. It is worth noting that the Company became a constituent of the FTSE 250 on 25 May 2023.

Over the year to 31 August 2023, the Company's shares have traded at an average discount of 5.4%. During the year, the Company purchased 698,692 ordinary shares at an average price of 431.38p per share and an average discount of 6.2% for a total cost of £3,014,000. Since the year end up to 3 November 2023, a further 188,000 ordinary shares have been bought back at an average price of 528.72p per share for a total cost of £994,000. All shares have been placed in treasury. No shares were issued during the year.

As reported in the 2023 Half Yearly Financial Report, the Directors exercised their discretion not to operate the half yearly tender offers in November 2022 and May 2023. It was also announced on 20 September 2023 that the Board had decided not to implement a semi-annual tender offer in November 2023. Over the six-months to 31 August 2023, the average discount to NAV (cum income) was 5.4% and the discount as at close of business on 19 September 2023 was 4.4%. Against a background of volatile market conditions and the Company trading at the narrowest discount within its peer group at that date, the Board concluded that it was not in the interests of shareholders as a whole to implement a semi-annual tender offer in November 2023.

## Portfolio Manager

As announced on 28 September 2023, we are delighted that Alexandra Dangoor has been named as co-portfolio manager of the Company, alongside lead manager Stefan Gries. Alexandra joined the BlackRock Fundamental European Equity Team in 2019 after two years in BlackRock's graduate rotation programme where she was an analyst in the Natural Resources and European Equity teams. Her research support for Stefan's strategies, including those of the Company, has given her a chance to develop a deep understanding of the philosophy of running concentrated, high conviction, low turnover portfolios.

The co-portfolio manager appointment reflects Alexandra's strong track record as a research analyst, as well as the European Equity team's ongoing commitment to the development of talent from within. The appointment also returns the Company to a co-portfolio manager structure. The investment objective and policy of the Company is unchanged.

## Board composition

Davina Curling has informed the Board of her intention to retire as a Director of the Company following the Annual General Meeting in December 2023 and, accordingly, will not be seeking re-election. Davina joined the Board in December 2011 and the Board would like to express its strong appreciation for Davina's wise counsel and invaluable contribution to the Company. Her departure marks the beginning of a Board refreshment policy.

During the year, the Board commenced a search to identify a new Director and we are delighted to announce that Sapna Shah will be appointed following the forthcoming Annual General Meeting. Sapna has 20 years of investment banking experience advising UK companies, including listed REITs and investment companies, on IPOs, equity capital market transactions and mergers and acquisitions. Sapna was appointed as a non-executive director of The Association of Investment Companies (AIC) in January 2021 and is a member of the AIC remuneration committee. She is also a senior adviser at Panmure Gordon Limited and prior to this held senior investment banking roles at UBS AG, Oriel Securities (now Stifel Nicolaus Europe) and Cenkos Securities. Sapna is currently a non-executive director of Supermarket Income REIT plc and BioPharma Credit PLC.

Following Davina's departure, the Board has agreed to appoint Paola Subacchi as the Senior Independent Director.

## Visit to Denmark

The Board takes its governance duties very seriously and in May 2023 joined representatives of the Manager on a three-day trip to Denmark to meet the management teams of some of the Company's largest holdings. This represented a significant time commitment from the Board and the aim of the trip was to gain a deeper understanding of the portfolio manager's due diligence processes when meeting with investee companies, as well as gaining enhanced knowledge of these companies and their business models and the operational challenges that they are facing in current markets. During the course of the visit the Board undertook site tours and met with representatives from Novo Nordisk, Royal Unibrew and DSV (collectively representing 16.3% of the Company's portfolio as at 31 August 2023) as well as the Chief Equity Strategist at Danske Bank who provided insight into challenges facing global markets and the Danish economy.



## **Shareholder communications**

The Board appreciates how important access to regular information is to our shareholders. To supplement our website, we offer shareholders the ability to sign up to the Trust Matters newsletter which includes information on the Company, as well as news, views and insights. Further information on how to sign up is included on the inside cover of this report.

## **Outlook**

European equities have defied expectations and produced strong performance over the past 12 months. The rebound has been driven by a combination of rising valuations and improved earnings expectations, as the mild winter averted an energy crisis in Europe. However, it remains a challenging environment especially with the war in Ukraine, the conflict in the Middle East and with above-target inflation forcing the European Central Bank to initiate multiple interest-rate hikes and the impact now being felt in the real economy. Levels of uncertainty therefore remain high and market volatility is expected to remain a key theme for the foreseeable future.

Against this background, our portfolio managers will continue to favour companies that have resilience, robust balance sheets, strong cash flows and management teams with deep experience through multiple cycles. Your Board remains fully supportive of their approach, as markets tend to reward companies with stronger quality credentials amid heightened uncertainty.

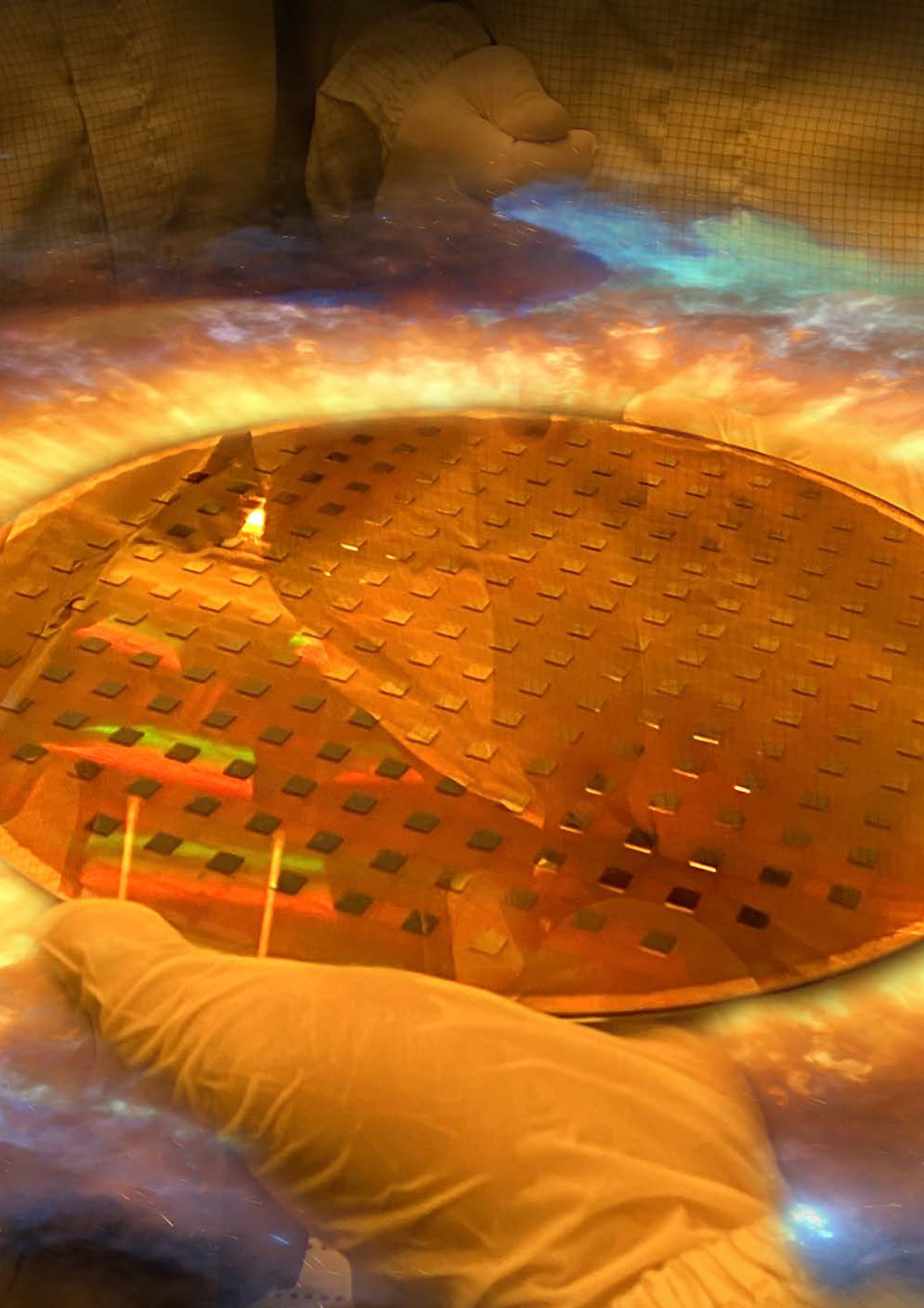
## **Annual General Meeting**

The Annual General Meeting of the Company will be held in person at the offices of BlackRock at 12 Throgmorton Avenue, London EC2N 2DL on Tuesday, 12 December 2023 at 12 noon. Details of the business of the meeting are set out in the Notice of Annual General Meeting on pages 130 to 134 of this Annual Report.

### **Eric Sanderson**

Chairman

7 November 2023



# Investment Manager's Report



**Stefan Gries**



**Alexandra Dangoor**

## Market review

European equity markets rallied over the past year despite ongoing expectations of an economic downturn. Certain economic indicators, such as Purchasing Manager Indices (PMIs) have looked weak, but company earnings and guidance have exceeded expectations across a wide range of industries. We believe this divergence between the top-down and the bottom-up is best explained by the aftermath of COVID-19 disruptions. Pent up demand for services and travel, improving supply chains and efforts to reduce inventories to more normal levels, have led to temporary demand weakness, de-stocking and subsequent recoveries across different parts of the market and at different times.

Most of the period saw cyclical sectors outperform defensives, perhaps reflecting that expectations had become too pessimistic as the result of an aggressive rate hiking cycle, as well as the previously anticipated weaker economic growth due to higher energy costs after the Russian invasion of Ukraine.

In this report, we will discuss the portfolio's performance over the last 12 months, offer examples of high conviction ideas held in the portfolio, briefly touch on limited portfolio changes and conclude with our expectations for what the future holds. For the year ended 31 August 2023, performance was positive with a share price total return of 17.1% and a NAV return of 19.2%. By way of comparison, the reference index, the FTSE World Europe ex UK Index, returned 15.8% over the same period. All percentages calculated in Pound Sterling terms with dividends reinvested.

◀ Semiconductor assembly equipment company BE Semiconductor was the portfolio's top performer over the past year, its share price performance driven by strong earnings releases.

PHOTO COURTESY OF BE SEMICONDUCTOR





We believe industrial manufacturer Atlas Copco is set to benefit from the expansion of the North American semiconductor fabrication market.

PHOTO COURTESY OF ATLAS COPCO

## Portfolio performance

Following the headwinds of 2022 (see the 2022 Annual Report and Financial Statements) it is pleasing to note the strong positive contribution to relative returns arising from investments in the semiconductor industry, where we had maintained our positions. Our investment in **BE Semiconductor (BESI)** was the top performer over the past year. The company designs and produces mission critical semiconductor assembly equipment used by chip manufacturers, assembly subcontractors and electronics and industrial companies. Specifically, they are a leading provider of packaging solutions such as hybrid bonding, which is set to become an increasingly important technology in enabling semiconductor chips to continue getting smaller, yet more powerful and energy efficient.

BESI's strong share price performance of almost 130% over the last 12 months, was driven by a better-than-expected earnings (Q2 2023 results showed revenues up by 21.8% compared to the previous quarter, although down 24% year-on-year but more importantly gross margins exceeded 65%) and a positive re-assessment of the future prospects of the company following an update from Nvidia. The US based chip designer said they were seeing 'surging demand' for data centre products used in generative Artificial Intelligence (AI), such as ChatGPT. To meet the demands of emerging AI technologies, semiconductor chips will have to become more powerful, meaning chip manufacturers will need to markedly increase their use of advanced packaging tools such as those sold by BESI.

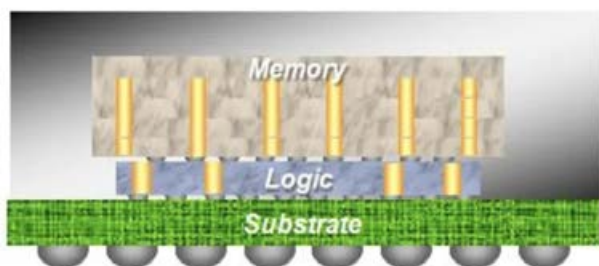


Illustration: shows logic and memory chips on top of each other using hybrid bonding rather than being placed side by side. Source: ASE & Bank of America Global Research July 2021.



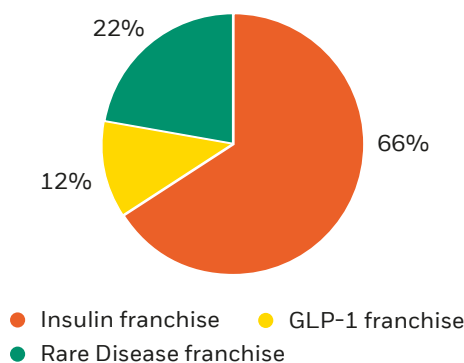
A number of other semiconductor companies held in the portfolio also added to returns. **ASM International**, a company specialising in “atomic layer deposition” (depositing a fine layer of chemicals on a microchip resulting in uniform surfaces and better control of voltage along with current flow/leakage) delivered results in-line with expectations but talked about new orders to improve during the second half of 2023 helped by new technologies. Similarly, **ASML**, a manufacturer of lithography machines (etching intricate patterns on silicon wafer) reported that overall demand continued to outstrip supply, with an order backlog of approximately EUR 38 billion.

A very different but equally exciting company was another significant driver of returns. **Novo Nordisk** is a Danish-listed diabetes specialist and producer of the semaglutide molecule which has already experienced significant commercial success in diabetes under brand names Ozempic (injection) and Rybelsus (oral tablet). However, it was its use in an obesity care setting which is rapidly developing under brand name Wegovy (injection) that moved the share price higher by over 60% during the past year.

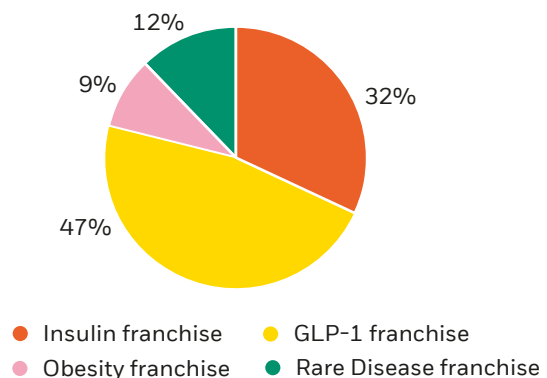
We believe the obesity market opportunity is significant. Whilst there are an estimated 764 million people living globally with obesity, only a small percentage of these seek help from a healthcare professional. Even fewer are treated with medications and the side effect profiles of older therapies mean only a quarter stay on treatment for more than a year. With its strong efficacy profile in weight loss, a well-established side effect profile and database from its use in diabetes already, Wegovy has an opportunity to disrupt this market and help people continue with their treatment.

The investment case became even more compelling towards the end of the period as Novo Nordisk reported results from its ‘SELECT’ cardiovascular outcomes clinical trial which showed a statistically significant 20% reduction in major adverse cardiovascular events for patients on Wegovy, a very positive outcome and above investor expectations. We believe these results will help underpin the validity of this new category of obesity drugs, leading to further uptake from commercial insurers, physicians, government programmes and patients.

**Novo Nordisk sales franchise split 2012:**



**Novo Nordisk sales franchise split 2022:**



Source: BlackRock.

Negative contribution came mainly from two areas: a potential competitive threat to payments provider **Adyen** and unexpected order weakness in the life sciences and biopharma industries. Firstly, Adyen is a low-cost payments provider with a best-in-class single-stack technology platform, which had driven profitable growth through market share gains in the past. However, in the summer of 2023, Adyen surprised markets with an earnings miss that led to a fall in the share price by more than 40%. Management reported slowing growth driven by increased pricing competition in North America. We had spoken to the company throughout the year and tracked industry results where possible.

The change in competition comes from Braintree, a unit within PayPal, which we believe may try to undercut Adyen despite a higher cost stack and therefore accepting a near zero-profit as a result. The initial share price reaction was extreme, even accounting for a derating reflecting lower confidence in future forecasts: North America represents 25% of Adyen’s business and the ‘Digital’ business (i.e. online purchases only) which is impacted by the new competition represents circa 15%. Whilst revenue of the impacted business is unlikely to decline to zero, a lower take rate would result in slower top line growth and lower profitability. To what degree that will be the case is under review at the time of writing. We have reduced our position reflecting lower conviction. Secondly, several of the portfolio’s life science holdings detracted from performance. The industry faced headwinds from rising interest rates as funding costs increased which in turn led to a decline in the funding required for their customers’ (typically large pharma companies) drug development programmes.

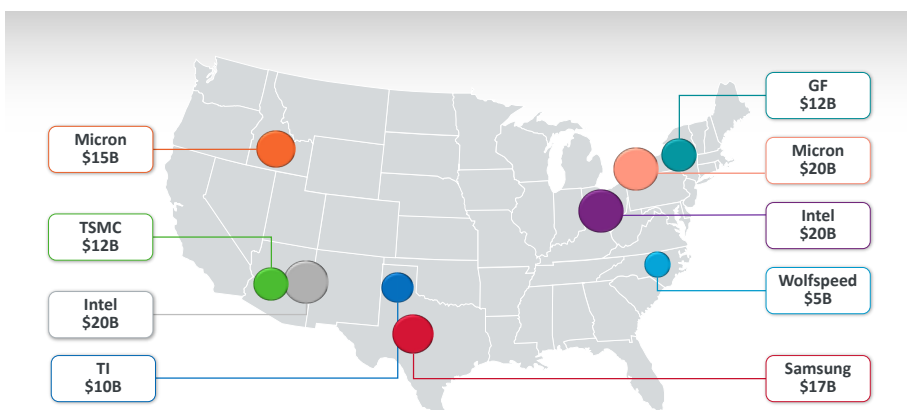
The key casualty in the portfolio was **ChemoMetec**, a company that specialises in the sale of analytical equipment (primarily cell counters). While funding pressures have recently led to weaker orders from customers, we expect these trends to stabilise in the coming quarters and continue to see the business as an excellent way of accessing the rapidly growing market for cell-based therapies without taking product specific risk. **Sartorius**, a supplier of single use equipment used to manufacture drugs, was particularly impacted by this phenomenon but we do not believe there has been any change in the underlying structural drivers and we expect to see a return to historical growth rates through 2024. Finally, **Lonza Group**, the specialist in contract drug manufacturing, faced weakness in its nutraceutical business (vitamins and capsules), but its core business (large scale commercial biologics) continued to see very strong demand and performed well and we see no evidence of weakening long-term fundamentals.

## High conviction areas

Amid the increasing volume of soundbites about regime change regarding the interest rate environment, we remain focused on investing in companies whose profits are aligned to long-term spending trends that will persist irrespective of the level of interest rates, inflation and near-term economic growth. One such spending trend, supported by supernational programmes, is the effort to re-organise and improve the resilience of supply chains, bring manufacturing closer to domestic markets and increase automation in the face of higher labour costs or deteriorating demographics. An example of a company that we believe will benefit from this “capex renaissance” is Swedish-listed **Atlas Copco** (Atlas), a world leading manufacturer of compressors, vacuum solutions, generators, pumps, power tools and assembly systems.

Atlas is an exceptionally well-managed business with a long-term culture and strong customer focus, aided by a decentralised structure with devolved decision-making. They pride themselves on integrating with their customers and thus being able to provide rapid and extensive services and support of their installed base of equipment. The largest part of Atlas’ revenue is derived from producing, selling, and servicing compressed air solutions such as industrial compressors and air management systems which have a wide range of applications across the industrial complex. Increasing factory automation is a structural tailwind, as is producing the most energy efficient compressors, and we believe Atlas is well-positioned to benefit from customers’ desire to reduce their total cost of ownership.

Atlas’ vacuum business is a global leading supplier of vacuum solutions – primarily to the semiconductor and electronics manufacturing markets. We believe it is well set to benefit from the expansion of the North American semiconductor manufacturing market, which has become a national priority. Currently only 10% of the world’s chips are made in the US. However, as the chart below shows, we are seeing major investment in semiconductor manufacturing facilities. Atlas is following suit with new facilities in Arizona and Massachusetts to support the burgeoning industry.



Source: Atlas Copco, Capital Markets Day, 17 November 2022.

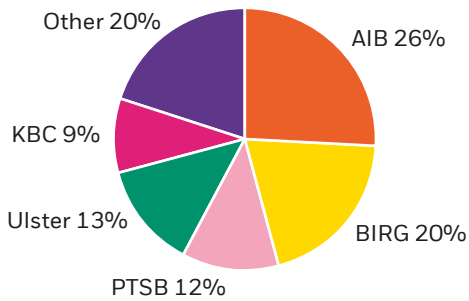
Another long duration spending stream – the “renovation wave” – results from global efforts to decarbonise. For instance, to meet the European Union’s (EU) 2050 net-zero target, the European housing stock needs to be improved as it is estimated that 75% of the EU building stock is energy inefficient and buildings account for circa 40% of energy consumption and 36% of greenhouse gas emissions in the EU. It is estimated that the region’s total energy consumption and carbon dioxide emission could be reduced by 5% to 6% by renovating the existing building stock. Landlords and tenants alike are being pushed to act by regulation and landlords have the additional incentive of moving quickly to avoid their properties becoming stranded assets. As a result, companies such as **Sika**, a leader in providing specialty chemicals to the construction industry, should see its earnings underpinned for more than a decade. Sika’s products are used in flooring, roofing, sealing, bonding and waterproofing – key applications needed for building and renovation work. With sales to both renovation projects, as well as new builds, the company offers exposures to multiple points of the construction cycle.

**Kingspan** is another beneficiary; the building materials company makes insulated panels and boards often used in buildings such as warehouses, data centres and battery factories where we expect strong demand in the near-term future.

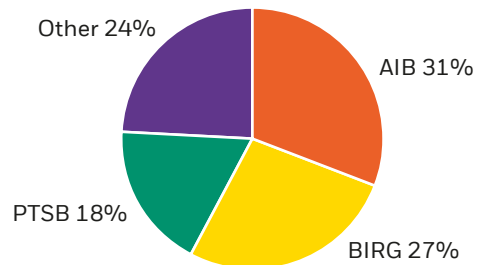
An area where we have historically seldom deployed much capital, but where market dynamics are changing, is the banking sector. Higher interest rates, lower leverage and a remarkable benign default environment have combined to create a profitable backdrop for the sector. That said, in the large economies in Europe, there is little evidence that many banks will meet our long-term investment criteria due to our scepticism on their ability to earn a spread between their returns and their cost of capital on a prolonged basis. An exception to this is **Allied Irish Banks (AIB)** which we added to the portfolio at the beginning of 2023. AIB not only benefits from a higher interest rate regime but also from an improved structural backdrop in Ireland. The economy has materially de-levered post the Global Financial Crisis (GFC) meaning that credit quality is significantly better than during the previous cycle and loan to deposit ratios of the banks are circa 65% to 70%, some of the lowest in Europe. The Irish banking market has also become highly consolidated, allowing AIB to have a 31% market share in mortgages and 37% share in deposits. As the rate cycle progresses, we believe that AIB has the tools to reduce its sensitivity to rates if needed, which makes it one of a few banks to hold on a long-term view.

**Structural change is favourable for market leaders**

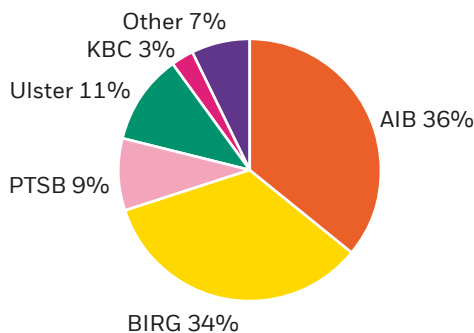
**Figure 1: Ireland mortgage market share, 2020**



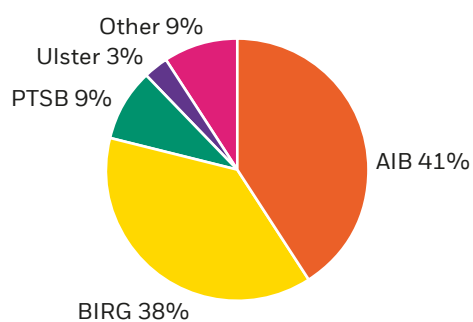
**Figure 2: Ireland mortgage market share, 2022 post M&A**



**Figure 3: Ireland deposit market share, 2020**



**Figure 4: Ireland deposit market share, 2022 post M&A**



AIB: Allied Irish Banks plc  
 PTSB: Permanent TSB Group Holdings plc

KBC: KBC Bank Ireland plc  
 BIRG: Bank of Ireland Group plc

Source: Central Bank of Ireland.

## Portfolio changes

As long term and concentrated investors, 'competition for capital' is high and therefore we typically do not change our positioning unless we see a fundamental change to an investment case or there is an opportunity that is significantly better than an asset we already own. Portfolio turnover over the last year was 16%, implying a more-than-six year holding period. As described on the previous page, we added a position in AIB to the portfolio at the beginning of the year. We exited from **National Bank of Greece**, **Bank Pekao** and **Avanza Bank**, hence the overall weight to financials was reduced.

Our technology exposure increased over the period as we added a position in **STMicroelectronics** (STM) which creates semiconductor technologies. STM has been outgrowing its end markets given a number of new innovative product launches around auto, smartphones and industrial projects. We expect this trend to continue helped by continued innovation in power chips for electric vehicles, sensors for consumer electronics and connectivity for industrial applications. All these areas should see secular growth ahead, as devices need to become smarter as well as more energy efficient. Following the sell-off in technology assets in 2022, the shares' valuation offered an attractive entry point to make an investment.

Elsewhere in the sector, we bought engineering and technology consulting company **ALTEN Group**, which serves customers across a range of industries both in the private and public sector. ALTEN Group is a beneficiary of increasing digitisation trends, as companies everywhere seek to become more agile and efficient with higher technology budgets. It joins a sizeable cohort of companies in the portfolio which are founder-led: a trait which often results in management teams focused on delivering long-term sustainable and profitable growth.

Finally, we exited **Diasorin** and **Polypeptide**. Diasorin is an Italian-listed diagnostics company that develops, produces and sells reagent kits and instruments for diagnosis and research. We decided to sell the position after losing conviction in the firm's management team upon poor execution on their Luminex deal. Similarly, Polypeptide suffered a number of technical and manufacturing process issues which led to a temporary suspension of two manufacturing lines. Following those events, we reduced our weightings and ultimately sold the positions.

## Holdings in Russian stocks

Prior to Russia's invasion of Ukraine, 5.7% (£36.9 million) of the Company's portfolio was invested in stocks with exposure to Russia (as at 31 January 2022). During the year under review, the Company was able to partially realise its holding in Fix Price Group for proceeds of £0.3 million compared to a carrying value of £0.9 million as at 31 January 2022, resulting in an uplift of 0.1% to the Company's NAV per share on 5 October 2023 as this position was previously fair valued at zero. In addition, and subsequent to the year end, the Company was also able to realise in full its holding in Ozon Holdings for £3.2 million (compared to a carrying value of £4.3 million as at 31 January 2022), resulting in an uplift of 0.61% to the Company's NAV per share on 5 October 2023 as this position was previously fair valued at zero. The Company's holdings in both Fix Price Group and Ozon were in the form of Depositary Receipts (rather than direct equity exposure) and there were no sanctions restrictions in respect of the disposal of these holdings.

## Outlook

The noise around market moves seems to increase with every passing year. More recently, the war in the Middle East has further complicated matters and has, for now, put a risk premium on equities. As with all geographical risks, we monitor the situation very carefully.

We make no attempt to predict to the basis point the next quarters' gross domestic product (GDP), growth inflation or unemployment rate. Nor do we pay much heed to top-down indicators or what they may reveal about the health of the global economy. As described earlier in this report, the world is clearly in the midst of several transitions: COVID-19 to post COVID-19, inflation to disinflation, low interest rates to high interest rates. These dynamics must be considered when assessing the health of the global economy and the prospects for equity markets. Various end markets may continue to imply weak demand as inventories are run down, while others – perhaps those associated with Chinese real estate – may have more prolonged problems.



However, assessing the economy from the bottom-up, company by company, we see no reason for investors with a reasonable time horizon to be alarmed. Household debt relative to assets is low in large economies, interest rate sensitivity is lower than in previous cycles and real wages are growing. Similarly, corporate balance sheets are strong after 15 years of deleveraging, margins remain at healthy levels and we may be at the foothills of an increase in capital expenditure spending resulting in a 'modern era industrial revolution'. Long-term structural trends and large amounts of stimulus in both Europe and the US can drive demand for years to come, for example in areas such as infrastructure, automation, innovation in medicines, the shift to electric vehicles, digitisation or decarbonisation. We believe the portfolio is well aligned to many of these structural spending streams that should continue to support earnings in the medium to long term.

As investors we must be forward looking, we must anticipate areas of enduring demand and identify those special companies whose characteristics enable them to capitalise on this demand and, in doing so, benefit their stakeholders and shareholders. We remain optimistic about the prospects of companies held in our portfolio.

**Stefan Gries and Alexandra Dangoor**

BlackRock Investment Management (UK) Limited

7 November 2023



# Portfolio



Danish-listed diabetes specialist Novo Nordisk was the portfolio's largest holding at year end. The prospects for the company's new obesity drug Wegovy has significantly boosted its share price.

PHOTO COURTESY OF NOVO NORDISK

# Investment process and philosophy

## Investment objective and strategy

The Company's objective is the achievement of capital growth, primarily through investment in a focused portfolio constructed from a combination of the securities of large, mid and small capitalisation European companies, together with some investment in the developing markets of Europe. The Company is a concentrated, high conviction portfolio with a long investment horizon and can have up to 25% of its overall risk allocation from developing European stocks.

The Company is managed by Stefan Gries and Alexandra Dangoor, who are supported by BlackRock's Fundamental European Equity team.

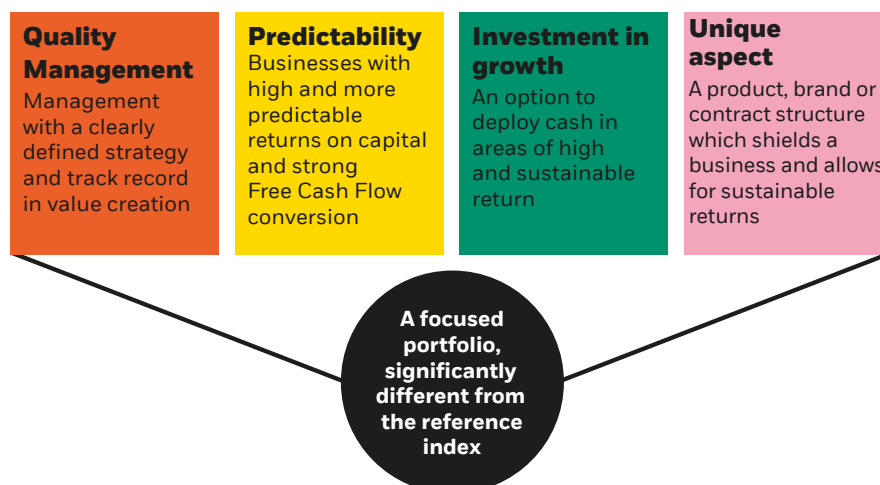
## Investment philosophy

The portfolio managers believe there is a scarcity of truly exceptional businesses in Europe which have financially sustainable business models that can compound earnings at attractive rates over time. This leads us\* to running a high conviction, concentrated portfolio which seeks to invest in the best wealth creating businesses on a three to five-year view.

The portfolio has a core exposure to businesses in the developed European markets that we believe offer predictable and diversified sources of earnings and cash flows. Portfolio managers Stefan Gries and Alexandra Dangoor and the European team focus on identifying companies that fit the following investment criteria:

- **Quality management:** a company which has a clearly defined strategy, which can be articulated by management, and a strong track record of value creation.
- **High and predictable return on capital with strong free cash flow conversion:** high-quality earnings which are backed by cash and where there is good visibility on the business trajectory.
- **Investment in growth:** companies which have optionality to invest in growth. Return on invested capital (ROIC) is an important measure in this regard, particularly marginal ROIC.
- **A unique aspect, protecting the business from future competition:** whether a product, brand or contract structure, we look for a differentiated factor that supports a competitive advantage for a company, allowing them to have superior pricing power and a protected/growing market share.

## Primary investment criteria



## Investment process

The Company invests mostly in European large and mid-cap securities with a market capitalisation in excess of €5 billion and can hold approximately 30 to 70 stocks, although we are typically centred towards the bottom of the range.

The European team adopts a common framework that can serve all the team's strategies. The European team's aim is to manage businesses on behalf of our clients in order to preserve their capital and grow their wealth over the long term. We look to do this through focusing on three lenses - Wealth Creation, Resilience and Change. We concentrate our analysis on:

\* References in this Investment Process and Philosophy section to 'us' and 'we' are to the portfolio managers and/or the Investment Manager (as applicable).



- **Wealth Creation** – companies which we believe can create superior value for shareholders over the long term.
- **Resilience** – understanding the resilience of the business model through a cycle.
- **Change** – identifying changes within a business that could drive future earnings and cash flow.

As a close-knit investment team, we believe a strong investment-led culture is vital to delivering alpha to our clients. We aim to be highly collaborative and work together as a group to drive results. We embrace diverse perspectives and believe they drive better results. We aim to be dynamic and work through a wide range of investment ideas to source the very best stocks in our universe. Innovation is vital to being ahead of our competition and we believe that accurate use of alternative data tools and the integration of Environmental, Social and Governance (ESG) considerations are an important component of our investment process.

Research is central to the investment process and a key source of alpha for the portfolio. The team has a structured framework in place which includes:

- **Dedicated Research Lead** is responsible for the day-to-day management of the research schedule and for ensuring the investment process functions efficiently. They focus on the investment process, managing our research pipeline and developing our graduate analysts. They also seek to drive best practices in research, integrating broader Fundamental Equity (FE) resource and process for the likes of ESG and data science.
- **'Pod' structure** to ensure senior members of the team can direct others to the most attractive parts of the market and provide 'peer reviews' of research before it is presented to the team.
- **Research pipeline** prioritises research and ensures effective use of team resources.
- **Proprietary Research template** – provides a comprehensive and consistent framework for each stock containing price target and rating.
- **Focused targeted research** – analysts are expected to look for new ideas as well as cover existing holdings, but do not spend time on maintenance research.
- **ALERT (Analysis of Live Earnings & Ratings Trends)** – a tool keeping the team abreast of company earnings momentum changes, sell side recommendation changes, valuation metrics and price movements across portfolio holdings. Used as part of our investment process – invoking ongoing research debate – where portfolio managers maintain buy/sell discretion.

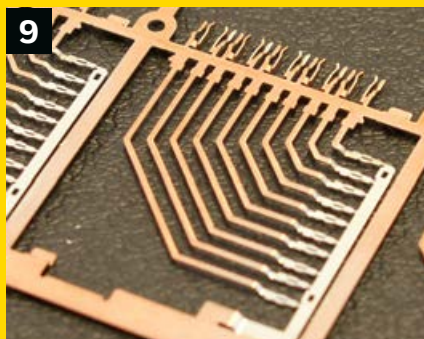
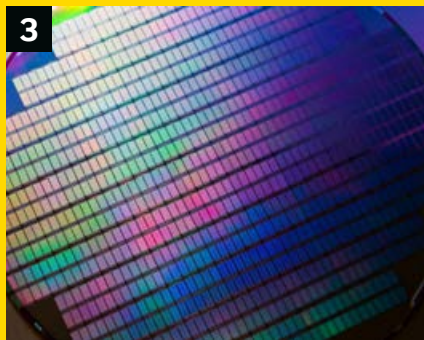
The team has a structured process as follows:

1. **Idea generation:** this primarily derives from meeting companies, their suppliers, competitors and customers. We also meet industry experts and use internal and external data and resources to ensure there is a continuous pipeline of new ideas. This pipeline is managed by our co-heads of research to ensure ideas are timely and relevant.
2. **In-depth company analysis:** this is conducted collaboratively by portfolio managers and analysts within a 'research pod'. It involves meeting company management teams, industry experts, and undertaking financial modelling and ESG integration using our proprietary research template.
3. **Team debate:** analysts present the investment case and recommendation to the whole team in a daily investment meeting where the idea is debated extensively. Each portfolio manager determines whether the recommendation is suitable for their portfolio and determines position sizing and point of purchase (or sale).

The Company is supported by BlackRock's 22-person European Equity team (which includes two data scientists) – one of the largest research teams based in the UK in the European equity market.

The team is able to leverage the firm's global resources to produce proprietary research focusing on high conviction investment ideas. It benefits from exceptional access to networks at BlackRock, external expert networks and, importantly, corporate access, conducting 2,000 company meetings every year. The team also has two dedicated data scientists who are tasked with sourcing and tailoring alternative data inputs into the fundamental research process.

Additionally, we believe BlackRock's global research resource across equities, credit, cash and alternatives, combined with a culture of information sharing, is a distinct advantage. The team benefits from frequent ad-hoc interaction with other BlackRock investment teams, particularly the Strategic, UK, US, Global and Natural Resources equity teams, as well as fixed income and other internal thought leaders. These inputs, combined with the experience and knowledge of the team sector analysts and senior portfolio managers, coupled with our strong external network of research and broker contacts, helps us to identify factor and thematic trends in the market which complement our in-depth company research.



PHOTOS COURTESY OF NOVO NORDISK, ASML, RELX, DSV, LONZA, STMICROELECTRONICS, BE SEMICONDUCTOR, SAFRAN. © AND USED WITH PERMISSION.

# Ten largest investments

Ten largest investments represented 53.4% of the portfolio as at 31 August 2023 (2022: 53.7%)

**1** ▶ **Novo Nordisk** (2022: 1st)

**Health Care company**

**Market value: £55,500,000**

**Share of investments: 9.3%**

Novo Nordisk is a Danish multinational pharmaceutical company and a leader in diabetes care. Novo Nordisk is expected to post strong earnings and cashflow growth driven by demand for Ozempic which treats Type 2 diabetes and its weight management drug Wegovy. The latter has recently provided evidence of reducing major adverse cardiovascular events by 20%.

**2** ▲ **LVMH** (2022: 3rd)

**Consumer Discretionary company**

**Market value: £43,689,000**

**Share of investments: 7.3%**

LVMH is a French multinational corporation specialising in luxury goods. The group has a strong and well-diversified portfolio of luxury brands ranging from handbags to spirits to cosmetics. LVMH's business model enjoys high barriers to entry due to the heritage, provenance and exquisite quality of its product offering. Its consistent brand investment through economic cycles has helped to spur brand desirability and allowed for significant pricing power.

**3** ▼ **ASML** (2022: 2nd)

**Technology company**

**Market value: £39,724,000**

**Share of investments: 6.7%**

ASML is a Dutch company specialising in photolithography systems for the semiconductor industry. The company is at the forefront of technological change, investing in leading research and development to capture the structural growth opportunity coming from growth in mobile devices and microchip components. High barriers to entry within the industry give ASML a protected position with strong pricing power allowing growth in margins.

**4** ▶ **RELX** (2022: 4th)

**Consumer Discretionary company**

**Market value: £32,544,000**

**Share of investments: 5.5%**

RELX is a multinational information and analytics company with high barriers to entry in most of its divisions, including scientific publishing. Their capital light business model enables high rate of cash conversion with repeat subscription-based revenues. The business benefits from increasing usage of data globally supporting their data analytics business.

**5** ▲ **DSV Panalpina** (2022: 6th)

**Industrials company**

**Market value: £26,104,000**

**Share of investments: 4.4%**

DSV Panalpina is a Danish freight forwarding and logistics company run by an excellent management team with a strong track record in creating value through acquisitions and by instilling a best-in-class culture. Their success in making acquisitions has been facilitated by a strong technology platform which drives operational efficiencies leading to high conversion margins.

# Ten largest investments

continued

## **6 ▼ Lonza Group** (2022: 5th)

### **Health Care company**

**Market value: £26,021,000**

**Share of investments: 4.4%**

Lonza Group is a Swiss healthcare services and life-sciences company which has established itself as one of the leading contract-manufacturers of high-end biological drugs, as well as cell and gene therapy. The company's competitive advantages stem from the complexity of the production process – where few peers can match its offering. This is cemented by high barriers to entry given that all production facilities are required to be certified by the Food and Drug Administration.

## **7 ▲ Hermès** (2022: 9th)

### **Consumer Discretionary company**

**Market value: £25,094,000**

**Share of investments: 4.2%**

Hermès is a French luxury design house specialising in leather goods, lifestyle accessories, home furnishings, perfumery, jewellery, watches and high-end clothing. With good brand management and craftsmanship, Hermès products are supply constrained and the company enjoys strong earnings visibility as some of its most iconic products are sold on allocation via waiting lists. Hermès has been run in a conservative fashion for generations with strategic decisions taken with the longest of timeframes.

## **8 ▲ STMicroelectronics** (2022: n/a)

### **Technology company**

**Market value: £24,426,000**

**Share of investments: 4.1%**

STMicroelectronics is a Dutch technology company creating semiconductor technologies. The company has been outgrowing its end markets due to a number of new innovative product launches in automobile, smartphone and industrial segments. The portfolio managers expect this trend to continue, helped by continued innovation in power chips for electric vehicle cars, sensors for consumer electronics and microcontrollers for industrial applications.

## **9 ▲ BE Semiconductor** (2022: 18th)

### **Technology company**

**Market value: £23,811,000**

**Share of investments: 4.0%**

BE Semiconductor is a Dutch supplier of semiconductor assembly equipment. The company can continue to grow its market share of an overall growing market given its best-in-class position to capture the advanced packaging segment of the assembly market. The chip makers will have to rely on more innovative packaging solutions (e.g. hybrid bonding) to continue to improve chip efficiency (faster processing, lower power consumption) while also keeping control over manufacturing costs.

## **10 ▲ Safran** (2022: 12th)

### **Industrials company**

**Market value: £20,699,000**

**Share of investments: 3.5%**

Safran is a French multinational supplier of aerospace, defence and security systems. The industry has emerged from a heavy investment period and Safran is well-placed to benefit from continued strength in its best in class after-market business and strong execution in its LEAP engine program which should drive growth for the next decade.

All percentages reflect the value of the holding as a percentage of total investments.



# Investments

as at 31 August 2023

	Country of operation	Market value £'000	% of investments
<b>Technology</b>			
ASML	Netherlands	39,724	6.7
STMicroelectronics	Switzerland	24,426	4.1
BE Semiconductor	Netherlands	23,811	4.0
ASM International	Netherlands	19,711	3.3
Amadeus IT Group	Spain	14,032	2.4
ALTEN Group	France	9,337	1.6
Hexagon	Sweden	8,417	1.4
		<b>139,458</b>	<b>23.5</b>
<b>Industrials</b>			
DSV Panalpina	Denmark	26,104	4.4
Safran	France	20,699	3.5
Sika	Switzerland	19,917	3.3
Kingspan	Ireland	15,962	2.7
Atlas Copco	Sweden	10,800	1.8
Epiroc	Sweden	8,269	1.4
Belimo	Switzerland	8,142	1.4
Rational	Germany	7,455	1.3
ALD	France	7,334	1.2
VAT Group	Switzerland	5,811	1.0
Adyen	Netherlands	4,282	0.7
		<b>134,775</b>	<b>22.7</b>
<b>Consumer Discretionary</b>			
LVMH	France	43,689	7.3
RELX	United Kingdom	32,544	5.5
Hermès	France	25,094	4.2
Ferrari	Italy	20,469	3.5
Fix Price Group <sup>+</sup>	Russia	939	0.2
Ozon Holdings <sup>*</sup>	Russia	2	-
		<b>122,737</b>	<b>20.7</b>
<b>Health Care</b>			
Novo Nordisk	Denmark	55,500	9.3
Lonza Group	Switzerland	26,021	4.4
Straumann	Switzerland	10,406	1.7
ChemoMetec	Denmark	9,233	1.6
Sartorius	France	6,024	1.0
		<b>107,184</b>	<b>18.0</b>
<b>Financials</b>			
Allied Irish Banks (AIB)	Ireland	16,242	2.7
Partners Group	Switzerland	13,031	2.2
KBC Groep	Belgium	11,541	1.9
FinecoBank	Italy	4,187	0.7
Allfunds Group	United Kingdom	3,763	0.6
Sberbank <sup>*</sup>	Russia	1	-
		<b>48,765</b>	<b>8.1</b>

# Investments

continued

	Country of operation	Market value £'000	% of investments
<b>Consumer Staples</b>			
Royal Unibrew	Denmark	15,440	2.6
Lindt	Switzerland	10,625	1.8
		<b>26,065</b>	<b>4.4</b>
<b>Basic Materials</b>			
IMCD	Netherlands	15,743	2.6
		<b>15,743</b>	<b>2.6</b>
<b>Energy</b>			
Lukoil*	Russia	-	-
		-	-
<b>Total investments</b>		<b>594,727</b>	<b>100.0</b>

+ Investment held at Directors' valuation.

\* The investments in Ozon Holdings, Sberbank and Lukoil have been marked down to a nominal value of £0.01 as the secondary listings of depositary receipts of Russian companies have been suspended from trading.

All investments are in ordinary shares unless otherwise stated. The total number of investments held at 31 August 2023 was 39 (31 August 2022: 39).

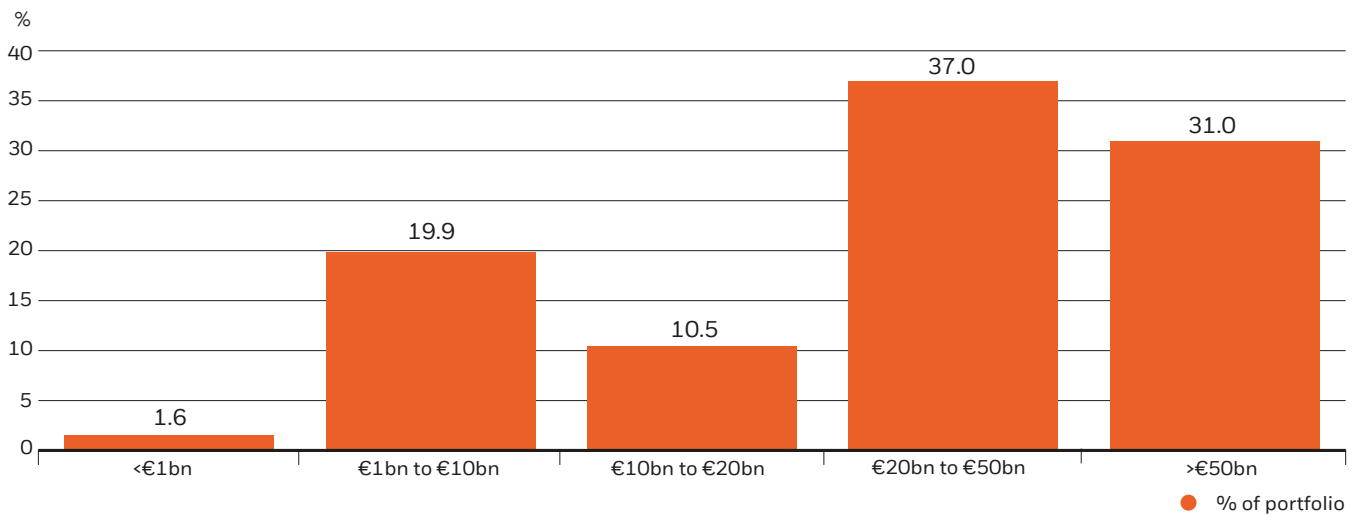
Industry classifications in the table above are based on the Industrial Classification Benchmark standard for categorisation of companies by industry and sector.

As at 31 August 2023, the Company did not hold any equity interests comprising more than 3% of any company's share capital.

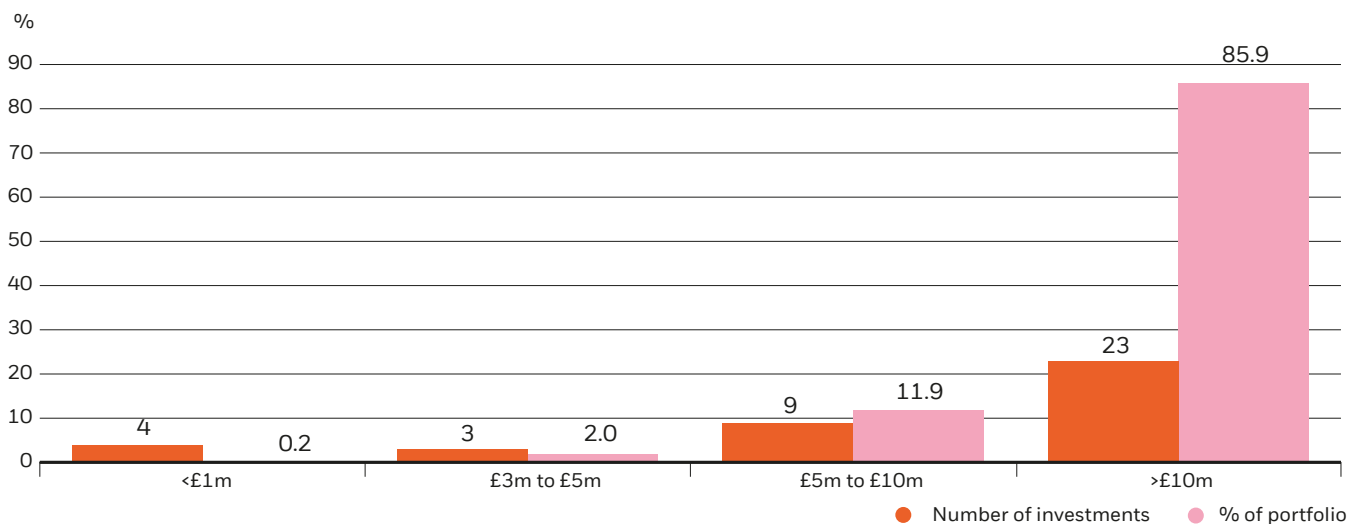
# Investment exposure

as at 31 August 2023

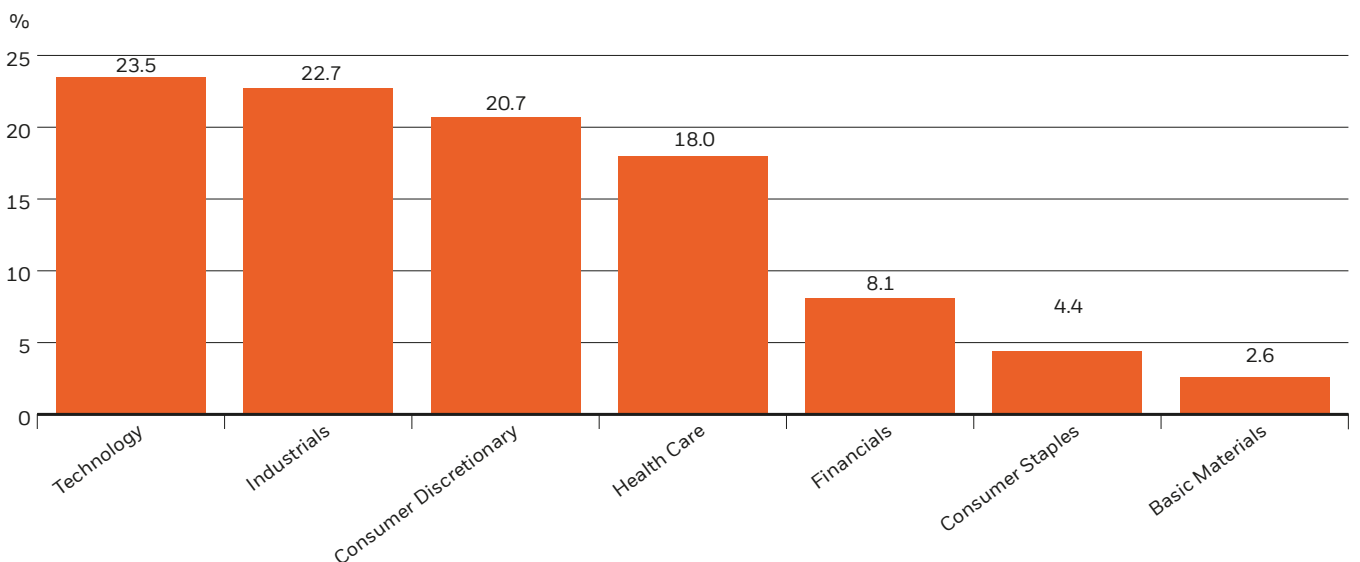
## Market capitalisation



## Investment size



## Distribution of investments



Source: BlackRock.



Zygo Corp  
1808107  
50X

Zygo Corp  
1802015  
2.75X

59





# Governance



Semiconductor specialist ASML reported that overall demand continued to outstrip supply, with an order backlog of around EUR40bn.

PHOTO COURTESY OF ASML

# Governance structure

Responsibility for good governance lies with the Board. The governance framework of the Company reflects the fact that, as an investment company, the Company has no employees, the Directors are all non-executive and investment management and administration functions are outsourced to the Manager and other external service providers.

## **Five non-executive Directors (NEDs), all independent of the Manager**

**Chairman:** Eric Sanderson

### **Objectives:**

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

### **Other functions:**

- To carry out the duties of a Nomination Committee, including a regular review of the Board's structure and composition, making recommendations for any new Board appointments.

## **The Board**

**5 full scheduled meetings each year**

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**Membership:** All NEDs

**Chairman:** Ian Sayers

### **Key objectives:**

- To oversee financial reporting;
- To consider the adequacy of the control environment and review the Company's risk register;
- To review the reporting of the auditor and form an opinion on the effectiveness of the external audit process;
- To review the provisions relating to whistleblowing and fraud;
- To ensure that the provisions of the investment management agreement follow industry practice, remain competitive and are in the best interests of shareholders;
- To review the performance of the Manager and Investment Manager; and
- To review other service providers.

## **Audit and Management Engagement Committee**

**2 scheduled meetings each year**

# Directors' biographies



## **Eric Sanderson**

Chairman (since November 2016)  
Appointed as a Director April 2013

Eric Sanderson is a chartered accountant and a banker and was chief executive of British Linen Bank from 1989 to 1997 and a member of the management board of Bank of Scotland in his role as head of group treasury operations from 1997 to 1999. He was formerly chairman of MyTravel Group PLC, MWB Group Holdings, Dunedin Fund Managers and Schroder UK Mid Cap Fund plc. He is also chairman of JP Morgan Emerging Europe, Middle East & Africa Securities plc.

### **Attendance record:**

Board: 5/5  
Audit and Management Engagement Committee: 2/2



## **Peter Baxter**

Appointed as a Director April 2015

Peter Baxter has 35 years' experience in the investment management industry. He is a director of Snowball Impact Management Ltd, a social impact investment organisation and was formally a director of Civitas Social Housing and a trustee of Trust for London. Previously he was chief executive of Old Mutual Asset Managers (UK) Ltd and worked for Schrodgers and Hill Samuel in a variety of investment roles.

### **Attendance record:**

Board: 4/5  
Audit and Management Engagement Committee: 2/2



## **Davina Curling**

Senior Independent Director  
Appointed as a Director December 2011

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

### **Attendance record:**

Board: 5/5  
Audit and Management Engagement Committee: 2/2

# Directors' biographies

continued



## **Paola Subacchi**

Appointed as a Director July 2017

Paola Subacchi is Professor of International Economics and Chair of the Advisory Board of the Global Policy Institute, Queen Mary University of London, and an adjunct professor at the University of Bologna. She is an expert on the functioning and governance of the international financial and monetary system and advises governments, international organisations, non-profits and corporations. She is a media commentator and writes regularly for Project Syndicate. From 2004 to 2019 she was director of economic research and senior fellow at Chatham House (The Royal Institute of International Affairs) in London.

### **Attendance record:**

Board: 5/5

Audit and Management Engagement Committee: 2/2



## **Ian Sayers**

Audit and Management Engagement Chair (since 1 January 2023)

Appointed as a Director February 2022

Ian Sayers is the former Chief Executive of the Association of Investment Companies (AIC), which he became in 2010 on his promotion from Deputy Director General. Prior to that, he was the AIC's Technical Director, advising members on areas such as taxation, accounting, company law and regulation, as well as having a key role in its public affairs activity. Before joining the AIC, he qualified as a Chartered Accountant and Chartered Tax Adviser at Ernst & Young and worked in the funds section of the Investment Management Group, providing compliance and advisory services to investment trusts and their management groups.

### **Attendance record:**

Board: 5/5

Audit and Management Engagement Committee: 2/2

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



# Strategic Report

The Directors present the Strategic Report of the Company for the year ended 31 August 2023. The aim of the Strategic Report is to provide shareholders with the information to assess how the Directors have performed their duty to promote the success of the Company for the collective benefit of shareholders.

The Chairman's Statement together with the Investment Manager's Report form part of this Strategic Report. The Strategic Report was approved by the Board at its meeting on 7 November 2023.

## Principal activity

The Company carries on business as an investment trust and has a premium listing on the London Stock Exchange. Its principal activity is portfolio investment. Investment trusts are pooled investment vehicles which allow exposure to a diversified range of assets through a single investment, thus spreading investment risk.

## Investment objective

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

## Strategy, business model and investment policy

### Strategy

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

### Business model

The Company's business model follows that of an externally managed investment trust. Therefore, the Company does not have any employees and outsources its activities to third party service providers including the Manager, who is the principal service provider. In accordance with the Alternative Investment Fund Managers' Directive (AIFMD), as implemented, retained and onshored in the UK, the Company is an Alternative Investment Fund (AIF). BlackRock Fund Managers Limited is the Company's Alternative Investment Fund Manager.

The management of the investment portfolio and the administration of the Company have been contractually delegated to the Manager who in turn (with the permission of the Company) has delegated certain investment management and other ancillary services to BlackRock Investment Management (UK) Limited (BIM (UK) or the Investment Manager). The Manager, operating under guidelines determined by the Board, has direct responsibility for the decisions relating to the day-to-day running of the Company and is accountable to the Board for the investment, financial and operating performance of the Company.

The Company delegates fund accounting services to the Manager, which in turn sub-delegates these services to The Bank of New York Mellon (International) Limited (BNYM). Other service providers include the Depositary (also BNYM) and the Registrar, Computershare Investor Services PLC. Details of the contractual terms with the Manager and the Depositary and more details of arrangements in place governing custody services are set out in the Directors' Report.

### Investment policy

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

As at 31 August 2023, the Company held 39 investments. None (2022: 3.4%) of the portfolio was invested in developing Europe. The Company had no unquoted investments.

# Strategic Report

continued

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

The Company also has the flexibility to invest up to 20% of the portfolio in debt securities, such as convertible bonds and corporate bonds. No bonds were held at 31 August 2023. The use of any derivative instruments such as financial futures, options and warrants and the entering into of stock lending arrangements will only be for the purposes of efficient portfolio management.

While the Company may hold shares in other investment companies (including investment trusts), the Board has agreed that the Company will not invest more than 15%, in aggregate, of its total assets in other listed closed-ended investment funds.

In order to comply with the current Listing Rules, the Company will also not invest more than 10% of its gross asset value in other listed closed-ended investment funds which themselves may invest more than 15% of their gross assets in other listed closed-ended investment funds. This restriction does not form part of the Company's investment policy.

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

The Investment Manager believes that appropriate use of gearing can add value over time. This gearing typically is in the form of an overdraft facility which can be repaid at any time. The level and benefit of any gearing is discussed and agreed regularly by the Board. The Investment Manager generally aims to be fully invested and it is anticipated that gearing will not exceed 15% of net asset value (NAV) at the time of drawdown of the relevant borrowings. At the balance sheet date, the Company had net gearing of 5.1% (2022: nil).

## Performance

In the year to 31 August 2023, the Company's NAV per share increased by 19.2% (compared with an increase in the reference index of 15.8%) and the share price rose by 17.1% (all percentages calculated in Pound Sterling terms with dividends reinvested). The Investment Manager's Report includes a review of the main developments during the year, together with information on investment activity within the Company's portfolio.

## Results and dividends

The results for the Company are set out in the Income Statement in the Financial Statements. The total profit for the year, after taxation, was £91,591,000 (2022: total loss, after taxation, of £201,365,000) which is reflected in the increase in the net asset value of the Company. The revenue return amounted to £6,920,000 (2022: £7,728,000) and relates to net revenue earnings from dividends received during the year after adjusting for expenses allocated to revenue.

As explained in the Company's Half Yearly Financial Report, the Directors declared an interim dividend of 1.75p per share (2022: 1.75p). The Directors recommend the payment of a final dividend of 5.00p per share, making a total dividend of 6.75p per share (2022: 6.60p). Subject to approval at the forthcoming Annual General Meeting, the dividend will be paid on 20 December 2023 to shareholders on the register of members at the close of business on 17 November 2023.

## Future prospects

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

## Social, community and human rights issues

As an investment trust, the Company has no direct social or community responsibilities or impact on the environment and the Company has not adopted an ESG investment strategy or exclusionary screens. However, the Directors believe that it is important and in shareholders' interests to consider human rights issues and environmental, social and governance factors when selecting and retaining investments. Details of the Company's approach to ESG integration and socially responsible investment is set out on page 44.

## Modern Slavery Act

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

## Directors, gender representation and employees

The Directors of the Company on 31 August 2023 are set out in the Directors' Biographies on pages 29 and 30. The Board consists of three male Directors and two female Directors. The Company's policy on diversity is set out on page 62. The Company does not have any executive employees.

## Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicators (KPIs) used to measure the progress and performance of the Company over time, and which are comparable to other investment trusts, are set out below. As indicated in footnote 2 to the table below, some of these KPIs fall within the definition of 'Alternative Performance Measures' (APMs) under guidance issued by the European Securities and Markets Authority (ESMA) and additional information explaining how these are calculated is set out in the Glossary on pages 123 to 127.

Additionally, the Board regularly reviews the performance of the portfolio, as well as the net asset value and share price of the Company and compares this against various companies and indices. The Company does not have a benchmark. However, the Board reviews performance and ongoing charges against a peer group of European investment trusts and open-ended funds, as well as the FTSE World Europe ex UK Index.

	As at 31 August 2023	As at 31 August 2022
Net asset value per share	560.11p	475.72p
Net asset value total return <sup>1,2</sup>	19.2%	-29.2%
Share price	527.00p	456.00p
Share price total return <sup>1,2</sup>	17.1%	-33.4%
Discount to net asset value <sup>2</sup>	5.9%	4.1%
Revenue return per share	6.85p	7.65p
Ongoing charges <sup>2,3</sup>	0.98%	0.98%

<sup>1</sup> This measures the Company's share price and NAV total return, which assumes dividends paid by the Company have been reinvested.

<sup>2</sup> Alternative Performance Measures, see Glossary on pages 123 to 127.

<sup>3</sup> Ongoing charges represent the management fee and all other operating expenses, excluding finance costs, direct transaction costs, custody transaction charges, VAT recovered, taxation, prior year expenses written back and certain non-recurring items, as a % of average daily net assets.

## Principal risks

The Company is exposed to a variety of risks and uncertainties. As required by the 2018 UK Corporate Governance Code (the UK Code), the Board has in place a robust ongoing process to identify, assess and monitor the principal risks and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A core element of this process is the Company's risk register which identifies the risks facing the Company and assesses the likelihood and potential impact of each risk and the quality of controls operating to mitigate it. A residual risk rating is then calculated for each risk based on the outcome of the assessment.

The risk register, its method of preparation and the operation of key controls in BlackRock's and third-party service providers' systems of internal control, are reviewed on a regular basis by the Audit and Management Engagement Committee. In order to gain a more comprehensive understanding of BlackRock's and other third-party service providers' risk management processes and how these apply to the Company's business, BlackRock's internal audit department provides an annual presentation to the Audit Committee chairs of the BlackRock investment trusts setting out the results of testing performed in relation to BlackRock's internal control processes. The Audit and Management Engagement Committee also periodically receives and reviews internal control reports from BlackRock and the Company's service providers.

The Board has undertaken a robust assessment of both the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. For instance, the risk that unforeseen or unprecedented events including (but not limited to) heightened geo-political tensions such as the war in Ukraine, high inflation and the current cost of living crisis has had a significant impact on global markets. The Board has taken into consideration the risks posed to the Company by these events and incorporated them into the Company's risk register. The threat of climate change has also reinforced the importance of more sustainable practices and environmental responsibility.

# Strategic Report

continued

Emerging risks are considered by the Board as they come into view and are incorporated into the existing review of the Company's risk register. Additionally, the Manager considers emerging risks in numerous forums and the Risk and Quantitative Analysis team produces an annual risk survey. Any material risks of relevance to the Company identified through the annual risk survey will be communicated to the Board.

The Board will continue to assess these risks on an ongoing basis. In relation to the UK Code, the Board is confident that the procedures that the Company has put in place are sufficient to ensure that the necessary monitoring of risks and controls has been carried out throughout the reporting period.

The principal risks and uncertainties faced by the Company during the financial year, together with the potential effects, controls and mitigating factors are set out below.

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## Counterparty risk

### Principal risk

The potential loss that the Company could incur if a counterparty is unable (or unwilling) to perform on its commitments.

### Mitigation/Control

Due diligence is undertaken before contracts are entered into and exposures are diversified across a number of counterparties.

The Depositary is liable for restitution for the loss of financial instruments held in custody unless able to demonstrate the loss was a result of an event beyond its reasonable control.

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## Investment performance risk

### Principal risk

Returns achieved are reliant primarily upon the performance of the portfolio.

The Board is responsible for:

- deciding the investment strategy to fulfil the Company's objective; and
- monitoring the performance of the Investment Manager and the implementation of the investment strategy.

An inappropriate investment strategy may lead to:

- underperformance compared to the reference index and the Company's peer group;
- a reduction or permanent loss of capital; and
- dissatisfied shareholders and reputational damage.

The Board is also cognisant of the long-term risk to performance from inadequate attention to ESG issues and in particular the impact of climate change.

### Mitigation/Control

To manage this risk the Board:

- regularly reviews the Company's investment mandate and long-term strategy;
- has set investment restrictions and guidelines which the Investment Manager monitors and regularly reports on;
- receives from the Investment Manager a regular explanation of stock selection decisions, portfolio exposure, gearing and any changes in gearing and the rationale for the composition of the investment portfolio;



- monitors the maintenance of an adequate spread of investments in order to minimise the risks associated with particular countries or factors specific to particular sectors, based on the diversification requirements inherent in the investment policy; and
- receives and reviews regular reports showing an analysis of the Company's performance against the FTSE World Europe ex UK Index and other similar indices.

ESG analysis is integrated into the Manager's investment process as set out on pages 44 to 46. This is monitored by the Board.

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## Legal & Compliance risk

### Principal risk

The Company has been approved by HM Revenue & Customs as an investment trust, subject to continuing to meet the relevant eligibility conditions, and operates as an investment trust in accordance with Chapter 4 of Part 24 of the Corporation Tax Act 2010. As such, the Company is exempt from corporation tax on capital gains on the profits realised from the sale of its investments.

Any breach of the relevant eligibility conditions could lead to the Company losing investment trust status and being subject to corporation tax on capital gains realised within the Company's portfolio. In such event, the investment returns of the Company may be adversely affected.

A serious regulatory breach could result in the Company and/or the Directors being fined or the subject of criminal proceedings, or the suspension of the Company's shares which could in turn lead to a breach of the Corporation Tax Act 2010.

Amongst other relevant laws, the Company is required to comply with the provisions of the Companies Act 2006, the Alternative Investment Fund Managers' Directive, the UK Listing Rules, Disclosure Guidance and Transparency Rules, the Sanctions and Anti-Money Laundering Act 2018 and the Market Abuse Regulation.

### Mitigation/Control

The Investment Manager monitors investment movements, the level and type of forecast income and expenditure and the amount of proposed dividends to ensure that the provisions of Chapter 4 of Part 24 of the Corporation Tax Act 2010 are not breached. The results are reported to the Board at each meeting.

Compliance with the accounting rules affecting investment trusts are also carefully and regularly monitored.

The Company Secretary, Manager and the Company's professional advisers provide regular reports to the Board in respect of compliance with all applicable rules and regulations. The Board and the Manager also monitor changes in government policy and legislation which may have an impact on the Company.

The Company's Investment Manager, BlackRock, at all times complies with the sanctions administered by the UK Office of Financial Sanctions Implementation, the United States Treasury's Office of Foreign Assets Control, the United Nations, European Union member states and any other applicable regimes.

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## Market risk

### Principal risk

Market risk arises from volatility in the prices of the Company's investments. It represents the potential loss the Company might suffer through realising investments in the face of negative market movements.

Changes in general economic and market conditions, such as currency exchange rates, interest rates, rates of inflation, industry conditions, tax laws and political events can also substantially and adversely affect the securities and, as a consequence, the Company's prospects and share price.

# Strategic Report

continued

Market risk includes the potential impact of events which are outside the Company's control, including (but not limited to) heightened geo-political tensions and military conflict, a global pandemic and high inflation.

Companies operating in the sectors in which the Company invests may be impacted by new legislation governing climate change and environmental issues, which may have a negative impact on their valuation and share price.

## Mitigation/Control

The Board considers the diversification of the portfolio, asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by the Investment Manager.

The Board monitors the implementation and results of the investment process with the Investment Manager.

The Board also recognises the benefits of a closed-end fund structure in extremely volatile markets such as those experienced as a consequence of the COVID-19 pandemic and Russia/Ukraine conflict. Unlike open-ended counterparts, closed-end funds are not obliged to sell down portfolio holdings at low valuations to meet liquidity requirements for redemptions. During times of elevated volatility and market stress, the ability of a closed-end fund structure to remain invested for the long term enables the portfolio managers to adhere to disciplined fundamental analysis from a bottom-up perspective and be ready to respond to dislocations in the market as opportunities present themselves.

The portfolio managers spend a considerable amount of time understanding the environmental, social and governance (ESG) risks and opportunities facing companies and industries in the portfolio. The Company does not exclude investment in stocks based on ESG criteria, but the portfolio managers consider ESG information when conducting research and due diligence on new investments and again when monitoring investments in the portfolio.

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## Operational risk

### Principal risk

In common with most other investment trust companies, the Company has no employees. The Company therefore relies on the services provided by third parties and is dependent on the control systems of the Manager, the Depositary and Fund Accountant which maintain the Company's assets, dealing procedures and accounting records.

The security of the Company's assets, dealing procedures, accounting records and adherence to regulatory and legal requirements depend on the effective operation of the systems of these other third-party service providers. There is a risk that a major disaster, such as floods, fire, a global pandemic, or terrorist activity, renders the Company's service providers unable to conduct business at normal operating capacity and effectiveness.

Failure by any service provider to carry out its obligations to the Company could have a material adverse effect on the Company's performance. Disruption to the accounting, payment systems or custody records (including cyber security risk) could prevent the accurate reporting and monitoring of the Company's financial position.

### Mitigation/Control

Due diligence is undertaken before contracts are entered into with third-party service providers. Thereafter, the performance of the provider is subject to regular review and reported to the Board.

The Board reviews on a regular basis an assessment of the fraud risks that the Company could potentially be exposed to and also a summary of the controls put in place by the Manager, Depositary, Custodian, Fund Accountant and Registrar specifically to mitigate these risks.

Most third-party service providers produce Service Organisation Control (SOC 1) reports to provide assurance regarding the effective operation of internal controls as reported on by their reporting accountants. These reports are provided to the Audit and Management Engagement Committee for review. The Committee would seek further representations from service providers if not satisfied with the effectiveness of their control environment.

The Company's financial instruments held in custody are subject to a strict liability regime and, in the event of a loss of such financial instruments held in custody, the Depositary must return financial instruments of an identical type or the corresponding amount, unless able to demonstrate the loss was a result of an event beyond its reasonable control.

The Board reviews the overall performance of the Manager, Investment Manager and all other third-party service providers on a regular basis and compliance with the Investment Management Agreement annually.

The Board also considers the business continuity arrangements of the Company's key service providers on an ongoing basis and reviews these as part of its review of the Company's risk register.

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## Financial risk

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### Principal risk

The Company's investment activities expose it to a variety of financial risks which include interest rate risk, counterparty credit risk and liquidity risk.

### Mitigation/Control

Details of these risks are disclosed in note 16 to the Financial Statements, together with a summary of the policies for managing these risks.

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## Marketing risk

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### Principal risk

Marketing efforts are inadequate or do not comply with relevant regulatory requirements. There is a failure to communicate adequately with shareholders or reach out to potential new shareholders resulting in reduced demand for the Company's shares and a widening of the discount.

### Mitigation/Control

The Board reviews marketing strategy and initiatives and the Manager is required to provide regular updates on progress. BlackRock has a dedicated investment trust sales team visiting both existing and potential clients on a regular basis. Data on client meetings and issues raised are provided to the Board on a regular basis.

All investment trust marketing documents are subject to appropriate review and authorisation.

## Viability statement

In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the twelve months referred to by the 'Going Concern' guidelines. The Company is an investment trust with the objective of achieving capital growth.

The Directors expect the Company to continue for the foreseeable future and have therefore conducted this review for the period up to the Annual General Meeting in 2028. The Directors believe that five years is an appropriate investment horizon to assess the viability of the Company. This is based on the Company's long-term mandate, the low turnover in the portfolio and the investment holding period investors generally consider while investing in the European sector.

In making an assessment on the viability of the Company, the Board has considered the following:

- the impact of a significant fall in European equity markets on the value of the Company's investment portfolio;
- the ongoing relevance of the Company's investment objective, business model and investment policy in the prevailing market;
- the principal and emerging risks and uncertainties, as set out on the previous pages, and their potential impact;
- the level of ongoing demand for the Company's shares;
- the Company's share price discount/premium to NAV;
- the liquidity of the Company's portfolio; and
- the level of income generated by the Company and future income and expenditure forecasts.

# Strategic Report

continued

The Directors have concluded that there is a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due over the period of their assessment based on the following considerations:

- the Investment Manager's compliance with the investment objective and policy, its investment strategy and asset allocation;
- the portfolio is liquid and mainly comprises of readily realisable assets, which continue to offer a broad range of investment opportunities for shareholders as part of a balanced investment portfolio;
- the operational resilience of the Company and its key service providers and their ability to continue to provide a good level of service for the foreseeable future;
- the effectiveness of business continuity plans in place for the Company and its key service providers;
- the ongoing processes for monitoring operating costs and income which are considered to be reasonable in comparison to the Company's total assets;
- the Board's discount management policy; and
- the Company is a closed-end investment company and therefore does not suffer from the liquidity issues arising from unexpected redemptions.

In addition, the Board's assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern Statement which can be found on page 50 in the Directors' Report.

## **Section 172 Statement: promoting the success of the Company**

The Companies (Miscellaneous Reporting) Regulations 2018 require directors to explain in greater detail how they have discharged their duties under Section 172(1) of the Companies Act 2006 in promoting the success of their companies for the benefit of members as a whole. This includes the likely consequences of their decisions in the longer term and how they have taken wider stakeholders' needs into account.

The disclosure that follows covers how the Board has engaged with and understands the views of stakeholders and how stakeholders' needs have been taken into account, the outcome of this engagement and the impact that it has had on the Board's decisions. The Board considers the main stakeholders in the Company to be the Manager, Investment Manager and the shareholders. In addition to this, the Board considers investee companies and key service providers of the Company to be stakeholders; the latter comprise the Company's Custodian, Depositary, Registrar and Broker.

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### **Stakeholders**

#### **Shareholders**

Continued shareholder support and engagement are critical to the continued existence of the Company and the successful delivery of its long-term strategy. The Board is focused on fostering good working relationships with shareholders and on understanding the views of shareholders in order to incorporate them into the Board's strategy and objectives in delivering long-term capital growth.

#### **Manager and Investment Manager**

The Board's main working relationship is with the Manager, who is responsible for the Company's portfolio management (including asset allocation, stock and sector selection) and risk management, as well as ancillary functions such as administration, secretarial, accounting and marketing services. The Manager has sub-delegated portfolio management to the Investment Manager. Successful management of shareholders' assets by the Investment Manager is critical for the Company to successfully deliver its investment strategy and meet its objective. The Company is also reliant on the Manager as AIFM to provide support in meeting relevant regulatory obligations under the AIFMD and other relevant legislation.

#### **Other key service providers**

In order for the Company to function as an investment trust with a listing on the premium segment of the official list of the FCA and trade on the London Stock Exchange's (LSE) main market for listed securities, the Board relies on a diverse range of advisors for support in meeting relevant obligations and safeguarding the Company's assets. For this reason, the Board considers the Company's Custodian, Depositary, Registrar and Broker to be stakeholders. The Board maintains regular contact with its key external service providers and receives regular reporting from them through the Board and committee meetings, as well as outside of the regular meeting cycle.

#### **Investee companies**

Portfolio holdings are ultimately shareholders' assets and the Board recognises the importance of good stewardship and communication with investee companies in meeting the Company's investment objective and strategy. The Board monitors the Manager's stewardship activities and receives regular feedback from the Manager in respect of meetings with the management of portfolio companies.



# Strategic Report

continued

A summary of the key areas of engagement undertaken by the Board with its key stakeholders in the year under review and how Directors have acted upon this to promote the long-term success of the Company are set out below.

## Area of Engagement

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### Investment mandate and objective

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#### Issue

The Board is committed to promoting the role and success of the Company in delivering on its investment mandate to shareholders over the long term. The Board also has responsibility to shareholders to ensure that the Company's portfolio of assets is invested in line with the stated investment objective and in a way that ensures an appropriate balance between spread of risk and portfolio returns.

#### Engagement

The Board worked closely with the Investment Manager throughout the year in further developing investment strategy and underlying policies, not simply for the purpose of achieving the Company's investment objective but in the interests of shareholders and future investors.

The Company does not exclude investment in stocks based on Environmental, Social and Governance (ESG) criteria, but the approach of the portfolio managers to the consideration of ESG factors in respect of the Company's portfolio, as well as engagement with investee companies, is to encourage the adoption of sustainable business practices which support long-term value creation.

#### Impact

The portfolio activities undertaken by the Investment Manager can be found in their report on pages 9 to 15.

The Investment Manager aims to construct a portfolio that is high conviction and concentrated in nature but diversified by end market exposures.

Details regarding the Company's NAV and share price performance can be found in the Chairman's Statement and in this Strategic Report on page 32.

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## Shareholders

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#### Issue

Continued shareholder support and engagement are critical to the continued existence of the Company and the successful delivery of its long-term strategy.

#### Engagement

The Board is committed to maintaining open channels of communication and to engage with shareholders. The Company welcomes and encourages attendance and participation from shareholders at its Annual General Meetings. Shareholders will have the opportunity to meet the Directors and Investment Manager and to address questions to them directly. The Investment Manager will also provide a presentation on the Company's performance and the outlook.

The Annual Report and Half Yearly Financial Report are available on the BlackRock website and are also circulated to shareholders either in printed copy or via electronic communications. In addition, regular updates on performance, monthly factsheets, the daily NAV and other information are also published on the Manager's website at [www.blackrock.com/uk/brge](http://www.blackrock.com/uk/brge).

The Board also works closely with the Manager to develop the Company's marketing strategy, with the aim of ensuring effective communication with shareholders. Unlike trading companies, one-to-one shareholder meetings normally take the form of a meeting with the Portfolio Managers as opposed to members of the Board. The Company's willingness to enter into discussions with institutional shareholders is also demonstrated by the programmes of institutional presentations by the Portfolio Managers.

If shareholders wish to raise issues or concerns with the Board, they are welcome to do so at any time. The Chairman is available to meet directly with shareholders periodically to understand their views on governance and the Company's performance where they wish to do so. He may be contacted via the Company Secretary whose details are given on page 113.

## **Impact**

The Board values any feedback and questions from shareholders ahead of and during Annual General Meetings in order to gain an understanding of their views and will take action when and as appropriate. Feedback and questions will also help the Company evolve its reporting, aiming to make reports more transparent and understandable.

Feedback from all substantive meetings between the Investment Manager and shareholders will be shared with the Board. The Directors will also receive updates from the Company's Broker on any feedback from shareholders, as well as share trading activity, share price performance and an update from the Investment Manager.

The portfolio management team attended a number of professional investor meetings (many by video conference) and held discussions with a number of wealth management desks and offices in respect of the Company during the year under review.

Portfolio holdings are ultimately shareholders' assets and the Board recognises the importance of good stewardship and communication with investee companies in meeting the Company's investment objective and strategy. The Board monitors the Manager's stewardship activities and receives regular feedback from the Investment Manager in respect of meetings with the management of portfolio companies.

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## **Responsible investing**

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### **Issue**

Good governance and consideration of sustainable investment are key factors in making investment decisions. Climate change is becoming a defining factor in companies' long-term prospects across the investment spectrum, with significant and lasting implications for economic growth and prosperity.

### **Engagement**

The Company does not exclude investment in stocks based on ESG criteria and the Board believes that responsible investment and sustainability are integral to the longer-term delivery of the Company's success. The Board works closely with the Investment Manager to regularly review the Company's performance, investment strategy and underlying policies to ensure that the Company's investment objective continues to be met in an effective and responsible way in the interests of shareholders and future investors.

The Investment Manager's approach to the consideration of ESG factors in respect of the Company's portfolio, as well as the Investment Manager's engagement with investee companies are kept under review by the Board. The Board also expects to be informed by the Manager of any sensitive voting issues involving the Company's investments.

The Investment Manager reports to the Board in respect of its ESG policies and how these are integrated into the investment process; a summary of BlackRock's approach to ESG and sustainability is set out on pages 44 to 46. The Investment Manager's engagement and voting policy is detailed on pages 44 and 45 and on the BlackRock website.

### **Impact**

The Investment Manager believes there is likely to be a positive correlation between strong ESG practices and investment performance over time. Details of the Company's performance in the year are given in the Chairman's Statement on page 5 and the Performance Record on page 4.

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## **Management of share rating**

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### **Issue**

The Board recognises that it is in the long-term interests of shareholders that shares do not trade at a significant discount or premium to their prevailing NAV. Therefore, where deemed to be in shareholders' long-term interests, the Board may exercise its powers to issue shares or buy back shares with the objective of ensuring that an excessive premium or discount does not arise.

### **Engagement**

The Board monitors the Company's share rating on an ongoing basis and receives regular updates from the Manager and the Company's Broker regarding the level of discount or premium and the drivers behind this.

# Strategic Report

continued

The Board believes that the best way of maintaining the share rating at an optimal level over the long term is to create demand for the shares in the secondary market. To this end, the Investment Manager is devoting considerable effort to broadening the awareness of the Company, particularly to wealth managers and to the wider retail market.

In addition, the Board has worked closely with the Manager to develop the Company's marketing strategy, with the aim of ensuring effective communication with existing shareholders and to attract new shareholders to the Company in order to improve liquidity in the Company's shares and to sustain the share rating of the Company.

## Impact

The Board will continue to monitor the Company's premium/discount to NAV and will look to issue, buy back shares and/or operate six monthly tender offers if it is deemed to be in the interests of shareholders as a whole.

The Board decided not to implement a semi-annual tender offer in November 2023 as, over the six months to 31 August 2023, the average discount to NAV (cum income) was 5.4%. It also decided not to implement the May 2023 semi-annual tender offer, as over the six months to 28 February 2023, the average discount to NAV (cum income) was 5.5%. Against a background of volatile market conditions and the Company trading at a narrow discount versus its peers, the Board concluded that it was not in the interests of shareholders to implement the latest semi-annual tender offers.

During the financial year the Company did not reissue any ordinary shares from treasury. The Company bought back 886,692 ordinary shares both during the financial year and since the year end. As at 3 November 2023 the Company's shares were trading at a discount of 7.6% to the cum income NAV.

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## Service levels of third-party providers

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### Issue

The Board acknowledges the importance of ensuring that the Company's principal suppliers are providing a suitable level of service, including the Manager in respect of investment performance and delivering on the Company's investment mandate; the Custodian and Depositary in respect of their duties towards safeguarding the Company's assets; the Registrar in its maintenance of the Company's share register and dealing with investor queries; and the Company's Broker in respect of the provision of advice and acting as a market maker for the Company's shares.

### Engagement

The Manager reports to the Board on the Company's performance on a regular basis. The Board carries out a robust annual evaluation of the Manager's performance, their commitment and available resources.

The Board performs an annual review of the service levels of all third-party service providers and concludes on their suitability to continue in their role. The Board receives regular updates from the AIFM, Depositary, Registrar and Broker on an ongoing basis.

The Board works closely with the Manager to gain comfort that relevant business continuity plans are in place and operating effectively for all of the Company's key service providers.

### Impact

All performance evaluations were performed on a timely basis and the Board concluded that all key third-party service providers, including the Manager, were operating effectively and providing a good level of service.

The Board has received updates in respect of business continuity planning from the Company's Manager, Custodian, Depositary, Fund Accountant, Registrar, Printer and Broker and is confident that arrangements in place are appropriate.

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## Board composition

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### Issue

The Board is committed to ensuring that its own composition brings an appropriate balance of knowledge, experience and skills, and that it is compliant with best corporate governance practice under the UK Code, including guidance on tenure and the composition of the Board's committees.

### Engagement

During the year, the Board engaged the services of an external search consultant to identify potential candidates to replace Ms Curling who retires as a Director following the forthcoming Annual General Meeting. The Nomination Committee agreed the selection criteria and the method of selection, recruitment and appointment.

All Directors are subject to a formal evaluation process on an annual basis (more details and the conclusions of the 2023 evaluation process are given on pages 63 and 64). All Directors stand for re-election by shareholders annually.

Shareholders may attend the Annual General Meeting and raise any queries in respect of Board composition or individual Directors in person or may contact the Company Secretary or the Chairman using the details provided on page 113 with any issues.

### Impact

As a result of the recruitment process, Ms Sapna Shah will be appointed as a Director of the Company following the Annual General Meeting being held on 12 December 2023.

As at the date of this report, the Board was comprised of three men and two women. Two Board Directors, Mr Sanderson and Ms Curling, have a tenure in excess of nine years. Ms Curling will retire at the Company's Annual General Meeting in December.

The Board considers that the tenure of the Chairman and Directors should be determined principally by how the Board's purpose in providing strategic leadership, governance and bringing challenge and support to the Manager can best be maintained, whilst also recognising the importance of independence, refreshment, diversity and retention of accumulated knowledge. It firmly believes that an appropriate balance of these factors is essential for an effective functioning board and, at times, will naturally result in some longer serving Directors. Furthermore, the Board wishes to retain the flexibility to recruit outstanding candidates when they become available rather than simply adding new Directors based upon a predetermined timetable.

Details of each Directors' contribution to the success and promotion of the Company are set out in the Directors' Report on pages 52 and 53 and details of Directors' biographies can be found on pages 29 and 30.

The Directors are not aware of any issues that have been raised directly by shareholders in respect of Board composition in the year under review. Details of the proxy voting results in favour and against individual Directors' re-election at the 2022 Annual General Meeting are given on the Manager's website at [www.blackrock.com/uk/brge](http://www.blackrock.com/uk/brge).

# Strategic Report

continued

## Environmental, Social and Governance issues and approach

### The Company's approach to ESG

Environmental, social and governance (ESG) issues can present both opportunities and threats to long-term investment performance. Whilst the Company does not exclude investment in stocks purely on ESG criteria, ESG analytics are integrated into the investment process when weighing up the risk and reward benefits of investment decisions and the Investment Manager believes that communication and engagement with portfolio companies is important and can lead to better outcomes for shareholders and the environment than merely excluding investment in certain areas.

More information on BlackRock's global approach to ESG integration, as well as activity specific to the BlackRock Greater Europe Investment Trust plc portfolio, is set out below. BlackRock has defined ESG integration as the practice of incorporating financially material ESG information and consideration of sustainability risks into investment decisions in order to enhance risk-adjusted returns. ESG integration does not change the Company's investment objective or constrain the Investment Manager's investable universe and does not mean that an ESG or impact focused investment strategy or any exclusionary screens have been or will be adopted by the Company. Similarly, ESG integration does not determine the extent to which the Company may be impacted by sustainability risks. More information on sustainability risks may be found in the AIFMD Fund Disclosures document of the Company available on the Company's website at <https://www.blackrock.com/uk/literature/policies/itc-disclosures-blackrock-greater-europe-investment-trust-plc.pdf>.

### BlackRock Greater Europe Investment Trust plc – BlackRock Investment Stewardship Engagement with portfolio companies for the year ended 31 August 2023

The Company benefits from the 20-strong European Equity team. The team has excellent access to company management teams and undertakes in excess of 2,000 company meetings each year to identify the best management teams in the region with the ability to create value for shareholders over the long term. In addition, BlackRock also has a separate Investment Stewardship team (BIS) that is committed to promoting sound corporate governance through engagement with investee companies, development of proxy voting policies that support best governance practices and wider engagement on public policy issues. For the year to 31 August 2023, BIS held 57 company engagements on a range of governance issues with the management teams of 26 companies in the BlackRock Greater Europe Investment Trust plc portfolio, representing 67.7% of the portfolio by value at 31 August 2023. To put this into context, there were 39 companies in the BlackRock Greater Europe Investment Trust plc portfolio as at 31 August 2023. Additional information is set out in the table and charts below and opposite, as well as the key engagement themes for the meetings held in respect of the Company's portfolio holdings.

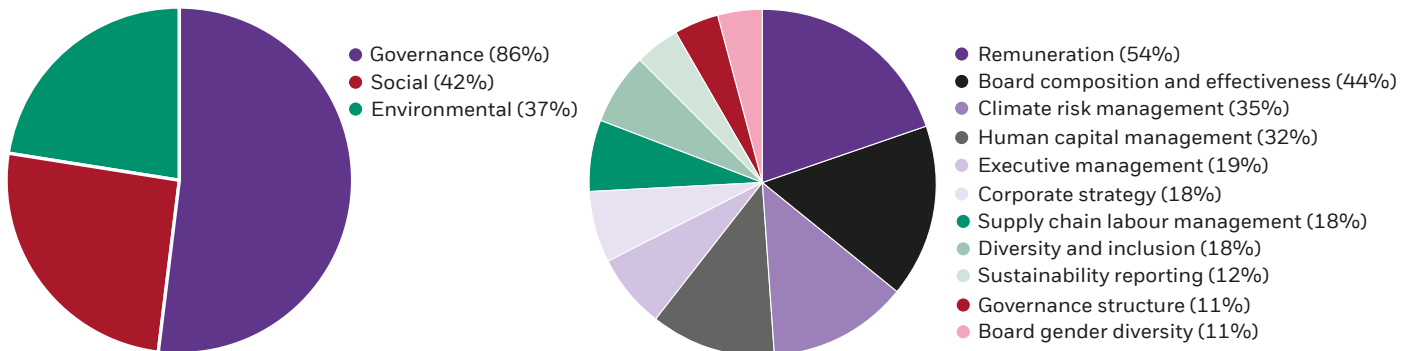
	Year ended 31 August 2023
Number of engagements held <sup>1</sup>	57
Number of companies met <sup>1</sup>	26
% of equity investments covered <sup>2</sup>	67.7
Shareholder meetings voted at <sup>1</sup>	36
Number of proposals voted on <sup>1</sup>	667
Number of votes against management <sup>1</sup>	62
% of total items voted represented by votes against management	9.3

<sup>1</sup> Source: BlackRock as at August 2023.

<sup>2</sup> Source: BlackRock. Company valuation as included in the portfolio at 31 August 2023 as a percentage of the total portfolio value.



## Engagement themes<sup>1</sup>



<sup>1</sup> Most engagement conversations cover multiple topics. The engagement statistics reflect the primary topics discussed during the meeting. More detail about BIS' engagement priorities can be found here: [www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf](http://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf). Percentages reflect the number of meetings held in respect of the Company's portfolio holdings at which a particular topic is discussed as a percentage of the total meetings held; as more than one topic is discussed at each meeting, the total will not add up to 100%.

Source: BlackRock.

## BlackRock's approach to ESG integration

BlackRock believes that sustainability risks, including climate risks, are investment risks. As a fiduciary, we manage material risks and opportunities that could impact portfolios. Sustainability can be a driver of investment risks and opportunities, and we incorporate them in our firm wide processes when they are material. This in turn (in BlackRock's view) is likely to drive a significant reallocation of capital away from traditional carbon intensive industries over the next decade. BlackRock believes that carbon-intensive companies will play an integral role in unlocking the full potential of the energy transition, and to do this, they must be prepared to adapt, innovate and pivot their strategies towards a low carbon economy.

As part of BlackRock's structured investment process, material ESG risks and opportunities (including sustainability/climate risk) are considered within the portfolio management team's fundamental analysis of companies and industries and the Company's portfolio managers work closely with BlackRock's Investment Stewardship (BIS) team to assess the governance quality of companies and investigate any potential issues, risks or opportunities.

As part of their approach to ESG integration, the portfolio managers use ESG information when conducting research and due diligence on new investments and again when monitoring investments in the portfolio. In particular, portfolio managers at BlackRock now have access to 1,200 key ESG performance indicators in Aladdin (BlackRock's proprietary trading system) from third-party data providers. BlackRock's internal sustainability research framework scoring is also available alongside third-party ESG scores in core portfolio management tools. BlackRock's analysts' sector expertise and local market knowledge allows it to engage with companies through direct interaction with management teams and conducting site visits. In conjunction with the portfolio management team, BIS engages with company leadership to understand how they are identifying and managing material business risks and opportunities, including sustainability-related risks and the potential impacts these may have on long-term performance. BIS and the portfolio management team's understanding of material sustainability related risks and opportunities is further supported by BlackRock's Sustainable and Transition Solutions (STS) function. STS looks to advance ESG research and integration, active engagement and the development of sustainable investment solutions across the firm.

## Investment stewardship

Consistent with BlackRock's fiduciary duty as an asset manager, BIS seeks to support investee companies in their efforts to deliver long-term financial value on behalf of their clients. These clients include public and private pension plans, governments, insurance companies, endowments, universities, charities and, ultimately, individual investors, among others. BIS serves as a link between BlackRock's clients and the companies they invest in. Clients depend on BlackRock to help them meet their investment goals; the business and governance decisions that companies make may have a direct impact on BlackRock's clients' long-term investment outcomes and financial wellbeing.

# Strategic Report

continued

## Global Principles

The [BIS Global Principles](#), [regional voting guidelines](#) and [engagement priorities](#) (collectively, the 'BIS policies') set out the core elements of corporate governance that guide BIS' investment stewardship efforts globally and within each regional market, including when engaging with companies and voting at shareholder meetings when authorised to do so on behalf of clients. Each year, BIS reviews its policies and updates them as necessary to reflect changes in market standards and regulations, insights gained over the year through third-party and its own research, and feedback from clients and companies. BIS' Global Principles are available on its website at [www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf](http://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf).

## Regional voting guidelines

BIS' voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which it assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BIS applies its guidelines pragmatically, taking into account a company's unique circumstances where relevant. BlackRock informs voting decisions through research and engages as necessary. BIS reviews its voting guidelines annually and updates them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year. BIS' regional voting guidelines are available on its website at [www.blackrock.com/corporate/insights/investment-stewardship#stewardship-policies](http://www.blackrock.com/corporate/insights/investment-stewardship#stewardship-policies).

BlackRock is committed to transparency in terms of disclosure of its stewardship activities on behalf of clients. BIS publishes its stewardship policies – such as the [BIS Global Principles](#), [regional voting guidelines](#) and [engagement priorities](#) – to help BlackRock's clients understand its work to advance their interests as long-term investors in public companies. Additionally, BIS publishes both annual and quarterly reports detailing its stewardship activities, as well as vote bulletins that describe its rationale for certain votes at high profile shareholder meetings. More detail in respect of BIS reporting can be found at [www.blackrock.com/corporate/insights/investment-stewardship](http://www.blackrock.com/corporate/insights/investment-stewardship).

## BlackRock's reporting and disclosures

In terms of its own reporting, BlackRock believes that the Sustainability Accounting Standards Board provides a clear set of standards for reporting sustainability information across a wide range of issues, from labour practices to data privacy to business ethics. For evaluating and reporting climate-related risks, as well as the related governance issues that are essential to managing them, the Task Force on Climate-related Financial Disclosures (TCFD) provides a valuable framework. BlackRock recognises that reporting to these standards requires significant time, analysis and effort. BlackRock's 2022 TCFD report can be found at [www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/tcf-d-report-2022-blkinc.pdf](http://www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/tcf-d-report-2022-blkinc.pdf).

By order of the Board

### CAROLINE DRISCOLL

For and on behalf of  
BlackRock Investment Management (UK) Limited  
Company Secretary  
7 November 2023

# Directors' Report

The Directors present the Annual Report and Financial Statements of the Company for the year ended 31 August 2023.

## Status of the Company

The Company is domiciled in the United Kingdom. The Company is a public company limited by shares and is also an investment company under Section 833 of the Companies Act 2006 and operates as such. It is not a close company and has no employees.

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

As an investment company that is managed and marketed in the United Kingdom, the Company is an Alternative Investment Fund (AIF) falling within the scope of, and subject to the requirements of, the Alternative Investment Fund Managers' Directive (AIFMD) as implemented, retained and onshored in the UK. The Company is governed by the provisions of the UK Alternative Investment Fund Managers Regulations 2013. The Company must also comply with the Regulations in respect of leverage, outsourcing, conflicts of interest, risk management, valuation, remuneration and capital requirements and must also make additional disclosures to both shareholders and the Financial Conduct Authority (FCA). Further details are set out in the AIFMD disclosures section and in the notes to the Financial Statements.

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

## Information to be disclosed in accordance with Listing Rule 9.8.4 (information to be included in Annual Report and Financial Statements)

Disclosures in respect of how the Company has complied with Listing Rule 9.8.4 are set out on page 120.

## Facilitating retail investments

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by independent financial advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investment products and intends to continue to do so for the foreseeable future.

In the context of the implementation of RDR (Retail Distribution Review) and the growing popularity of investment trusts on platforms, it is worth noting that the Company's shares are designed for private investors in the UK, including retail investors and professionally advised private clients who understand and are willing to accept the risks of exposure to equities. It is also attractive to institutional investors who seek long-term capital growth through investing in European equities. When assessing the suitability of shares, private investors should consider consulting an independent financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Naturally, investors should also be capable of evaluating the risks and merits of an investment in the Company and should always have sufficient resources to bear any loss that may result.

## The Common Reporting Standard

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

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

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

# Directors' Report

continued

## GDPR

Data protection rights were harmonised across the European Union following the implementation of the General Data Protection Regulation (GDPR) on 25 May 2018, since retained in the UK by the European Union (Withdrawal) Act 2018. The Board has sought and received assurances from its third-party service providers that they have taken appropriate steps to ensure compliance with the regulation.

## Shareholder Rights Directive II

The Shareholder Rights Directive II took effect from 10 June 2019 with some transitional provisions. It encourages long-term shareholder engagement and transparency between companies and shareholders. In substantive terms the changes were small for investment companies and the majority of requirements apply to the Company's remuneration policy and disclosure of processes, as well as related party transactions. There are also additional rules for Alternative Investment Fund Managers and proxy advisers.

## Dividends

Details of dividends paid and payable in respect of the year are set out in the Chairman's Statement.

## Investment management and administration

BlackRock Fund Managers Limited (BFM, AIFM or the Manager) was appointed as the Company's AIFM with effect from 2 July 2014. BlackRock Investment Management (UK) Limited (BIM (UK) or Investment Manager) acts as the Company's Investment Manager under a delegation agreement with BFM. BIM (UK) also acted as the Secretary of the Company throughout the year.

The management contract is terminable by either party on six months' notice. The Board continues to be independent from the AIFM. The agreement provides the appropriate balance between the Board's control over the Company, its investment policies and compliance with regulatory obligations. The AIFM has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services, to the Investment Manager.

The AIFM receives an annual management fee which is calculated based on 0.85% of net asset value on net assets up to £350 million and 0.75% per annum of net asset value on net assets thereafter on the last day of each month. Where the Company invests in other investments or cash funds managed by BIM (UK), any underlying fee charged is rebated. Fees are adjusted by adding all dividends declared during the period. No penalty on termination of the investment management contract would be payable by the Company in the event that six months' written notice is given to the Manager. There are no provisions relating to the payment of fees in lieu of notice.

The Company contributes to a focused investment trust sales and marketing initiative operated by BlackRock on behalf of the investment trusts under its management. The Company's contribution to the consortium element of the initiative, which enables the trusts to achieve efficiencies by combining certain sales and marketing activities, represents a budget of up to 0.025% per annum of its net assets (£501 million as at 31 December 2022) and this contribution is matched by BIM (UK). In addition, a budget of a further £25,000 has been allocated for Company specific sales and marketing activity. Total fees paid or payable for these services for the year ended 31 August 2023 amounted to £97,000 (excluding VAT) (2022: £130,000). The purpose of the programme overall is to ensure effective communication with existing shareholders and to attract new shareholders to the Company. This has the benefit of improving liquidity in the Company's shares and helps sustain the stock market rating of the Company.

BFM and BIM (UK) are subsidiaries of BlackRock Inc., which is a publicly traded corporation on the New York Stock Exchange operating as an independent firm.

## Appointment of the Manager

The Board considers the arrangements for the provision of investment management services to the Company on an ongoing basis and a formal review is conducted annually. As part of the annual review the Board considered the quality and continuity of the personnel assigned to handle the Company's affairs, the investment process and the results achieved to date.

The Board has concluded that the continuing appointment of the Manager as AIFM, and the delegation of investment management services to the Investment Manager on the terms disclosed above, is in the interests of shareholders as a whole given their proven track record in successfully investing in Europe.

## Depository and Custodian

The AIFMD requires that AIFs such as the Company have an AIFMD-compliant depository. The Company appointed BNY Mellon Trust & Depository (UK) Limited (BNYMTD) in this role effective from 2 July 2014. With effect from 1 November 2017, the role of the Depository was transferred, by operation of a novation agreement, from BNYMTD to its parent company, The Bank of New York Mellon (International) Limited (BNYM or the Depository).

The Depository's duties and responsibilities are outlined in the investment fund legislation (as defined in the FCA AIF Rulebook). The main role of the Depository under the AIFMD is to act as a central custodian with additional duties to monitor the operations of the Company, including monitoring cash flows and ensuring the net asset value of the Company's shares is calculated appropriately in accordance with the relevant regulations and guidance. The Depository is also responsible for enquiring into the conduct of the AIFM in each annual accounting period. The Depository receives a fee payable at 0.0095% per annum of the net assets of the Company. The Company has appointed the Depository in a tripartite agreement to which BFM as AIFM is also a signatory. The Depository is also liable for the loss of financial instruments held in custody.

Custody services in respect of the Company's assets have been delegated by the Depository to the Asset Servicing division of BNYM. BNYM receives a custody fee payable by the Company at rates depending on the number of trades effected and the location of securities held. The depository agreement is subject to 90 days' notice of termination by any party.

## Registrar

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

The Registrar receives a fixed fee each year, plus disbursements and VAT for the maintenance of the register. Fees in respect of corporate actions and other services are negotiated on an arising basis.

## Change of control

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

## Exercise of voting rights in investee companies

The exercise of voting rights attached to the Company's portfolio has been delegated to the Investment Manager, whose policy is set out below. BlackRock's approach to voting at shareholder meetings, engagement with companies and corporate governance is framed within an investment context. In BlackRock's experience, sound corporate governance contributes to companies' long-term financial performance and thus better risk adjusted-returns.

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), located in nine offices around the world. Collectively within BIS, over 18 languages are spoken and over 30 academic disciplines are represented. The team's globally-coordinated, local presence and breadth of experience enables more frequent and better-informed dialogue with companies. BIS draws upon its own expertise, as well as other internal and external resources globally, to represent the long-term financial interests of clients. BIS' company analysis and engagement meeting notes are made available to BlackRock active portfolio managers. Active portfolio managers with positions in a company can vote their shares independently of BIS based on their views of what is best for their specific fund and client base.

The [BIS Global Principles](#), [regional voting guidelines](#) and [engagement priorities](#), updated every year, form the foundation of the team's engagement with companies and voting decisions at shareholder meetings on behalf of clients. The voting guidelines are principles-based and not prescriptive because each voting situation needs to be assessed on its merits. BIS' sole focus when engaging with companies or voting at shareholder meetings is to advance the financial interests of clients. BlackRock's global corporate governance and engagement principles are published on its website at: [www.blackrock.com/corporate/en-us/about-us/investment-stewardship](http://www.blackrock.com/corporate/en-us/about-us/investment-stewardship).

During the year under review, the Investment Manager voted on 667 proposals at 36 general meetings on behalf of the Company. At these meetings the Investment Manager voted in favour of most resolutions, but did not support 45 (6.7%) resolutions and abstained from voting on 19 (2.8%) resolutions. Most of the votes against were in respect of resolutions relating to executive remuneration, or overboarding issues, which were deemed by the Investment Manager as not being in the best financial interests of shareholders.



# Directors' Report

continued

## Principal risks

The key risks faced by the Company are set out in the Strategic Report.

## Going concern

The Directors, having considered the nature and liquidity of the portfolio, the Company's investment objective and the Company's projected income and expenditure, are satisfied that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements and is financially sound. The Board is mindful of the continuing uncertainty surrounding the current environment of heightened geopolitical risk given the war in Ukraine.

The Company has a portfolio of investments which are predominantly readily realisable and is able to meet all of its liabilities from these assets or, if necessary, the sale of these assets. As at 3 November 2023, 98.1% of the portfolio was estimated as being capable of being liquidated within three days. Accounting revenue and expense forecasts are maintained and reported to the Board regularly and it is expected that the Company will be able to meet all its obligations. Borrowings under the overdraft facility shall at no time exceed £60 million or 15% of the Company's net asset value at the time of drawdown of the relevant borrowings (whichever is lower) and this covenant was complied with during the year. Based on the above, the Board is satisfied that it is appropriate to continue to adopt the going concern basis in preparing the financial statements and that the Company has adequate resources to continue in operational existence for the period to 30 November 2024, being a period of at least 12 months from the date of approval of these financial statements. Ongoing charges for the year ended 31 August 2023 were approximately 0.98% of net assets.

A statement on the longer-term viability of the Company is considered in the Viability Statement on pages 37 and 38.

## Directors

The Directors of the Company as at 31 August 2023 and their biographies are set out on pages 29 and 30. Details of their interests in the ordinary shares of the Company are set out in the Directors' Remuneration Report. All of the Directors held office throughout the year under review and up to the date of signing the financial statements.

Although the Company's Articles of Association require that one third of Directors retire and seek re-election at intervals of no more than three years, the Board has resolved that all of the Directors should be subject to re-election on an annual basis. Accordingly, all of the Directors who held office throughout the year will offer themselves for re-election at the Annual General Meeting, with the exception of Ms Curling who will not be seeking re-election. The Board has considered the positions of the retiring Directors as part of the evaluation process and believes that it would be in the Company's best interests for the Directors to be proposed for re-election at the forthcoming Annual General Meeting, given their material level of contribution and commitment to the role.

Having considered the Directors' performance within the annual Board performance evaluation process, further details of which are provided on pages 63 and 64, the Board believes that it continues to be effective and the Directors bring extensive knowledge and commercial experience and demonstrate a range of valuable business, financial and asset management skills. The Board therefore recommends that shareholders vote in favour of each Director's proposed re-election. More details in respect of the skills and experience each Director brings to the Board are set out on page 53.

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

## Directors' liability insurance and Directors' indemnity

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

## Conflicts of interest

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

## Directors' Remuneration Report and Policy

The Directors' Remuneration Report is set out on pages 55 to 58. An advisory ordinary resolution to approve this report will be put to shareholders at the Company's forthcoming Annual General Meeting. The Company is also required to put the Directors' remuneration policy to a binding shareholder vote every three years. The remuneration policy was last put to shareholders at the Annual General Meeting in 2020, therefore an ordinary resolution to approve the policy on pages 59 and 60 will be put to shareholders at the Company's forthcoming Annual General Meeting.

## Substantial share interests

No shareholders have declared a notifiable interest in the Company's voting rights.

## Share capital

Full details of the Company's issued share capital are given in note 14 to the Financial Statements. Details of the voting rights in the Company's ordinary shares as at the date of this report are given in note 16 to the Notice of Annual General Meeting.

The ordinary shares carry the right to receive dividends and have one voting right per ordinary share. There are no restrictions on the voting rights or the transfer of the ordinary shares. There are no shares which carry specific rights with regard to the control of the Company. At 31 August 2023, the Company's issued share capital was 101,000,161 ordinary shares, excluding 16,928,777 shares held in treasury.

## Tender offers

On 22 March 2023 the Board announced that it would not be implementing the May semi-annual tender offer. Over the six months to 28 February 2023, the Company's shares traded at an average discount to NAV (cum income) of 5.5% compared to a discount of 2.0%, the price at which any tender offer would be made. It was also announced on 20 September 2023 that the Board had decided not to implement a semi-annual tender offer in November 2023. Over the six-month period to 31 August 2023, the average discount to NAV (cum income) was 5.4%. The Board therefore concluded that it was not in the interests of shareholders as a whole to implement the semi-annual tender offers.

The current tender offer authority will expire on 31 January 2024 and the Directors are proposing that their authority to make further regular tender offers be renewed at the forthcoming Annual General Meeting.

## Share repurchases

The Company has authority to purchase ordinary shares in the market to be held in treasury or for cancellation. During the year the Company bought back 698,692 ordinary shares at an average price of 431.38p per share, at an average discount of 6.2%, for a total cost of £3,014,000. Since the year end and up to the date of this report, a further 188,000 ordinary shares have been repurchased for a total cost of £994,000.

The latest buy back authority was granted to Directors on 8 December 2022 and expires at the conclusion of the Annual General Meeting on 12 December 2023. The Directors are proposing that their authority to buy back shares be renewed at the forthcoming Annual General Meeting.

## Share issues

During the year, the Company did not reissue or allot any ordinary shares.

The Directors are proposing that their authority to issue new ordinary shares or sell shares from treasury be renewed at the forthcoming Annual General Meeting.

# Directors' Report

continued

## Treasury shares

At the 2022 Annual General Meeting the Company was authorised to repurchase ordinary shares into treasury for reissue or cancellation at a future date. A resolution to renew this authority will again be put to shareholders at the forthcoming Annual General Meeting.

Treasury shares will only be reissued at a premium to NAV. There is no limit to the number of shares which can be held in treasury. The use of treasury shares should assist the Board in the objective of providing a discount management mechanism and enhancing the NAV of the Company's shares.

## Streamlined energy and carbon reporting (SECR) statement: Greenhouse gas (GHG) emissions and energy consumption disclosure

As an externally managed investment company, the Company has no greenhouse gas emissions to report from its operations, nor does it have any responsibility for any other emissions producing sources under the Companies Act (Strategic Report and Directors' Reports) Regulations 2013. For the same reason, the Company considers itself to be a low energy user under the SECR regulations and therefore is not required to disclose energy and carbon information.

As an investment company, the Company does not need to report against the Task Force on Climate-related Financial Disclosures (TCFD) framework. However, BlackRock reports detailed information about its management of climate-related risks and opportunities across its business in its TCFD-aligned reports. BlackRock's latest TCFD report can be found at [www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/tcfd-report-2022-blkinc.pdf](http://www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/tcfd-report-2022-blkinc.pdf).

## Articles of Association

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

## Annual General Meeting

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

**If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any other accompanying documents (but not the personalised Form of Proxy) as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.**

The business of this year's Annual General Meeting consists of 15 resolutions. Resolutions 1 to 11 are proposed as ordinary resolutions and resolutions 12 to 15 are being proposed as special resolutions.

### Resolution 1 – Approval of the Annual Report and Financial Statements

This resolution seeks shareholder approval of the Annual Report and Financial Statements for the year ended 31 August 2023 and the auditor's report thereon.

### Resolution 2 – Approval of the Directors' Remuneration Report

This resolution is an advisory vote on the Directors' Remuneration Report, excluding any content relating to the remuneration policy as set out in the Directors' Remuneration Policy on pages 59 and 60.

### Resolution 3 – Approval of the Directors' Remuneration Policy

This resolution is to approve the Directors' Remuneration Policy as set out on pages 59 and 60.

### Resolution 4 – Approval of a final dividend

Resolution 4 seeks shareholder approval of a final dividend of 5.00 pence per share for the year ended 31 August 2023.

### Resolutions 5 to 8 – Re-election of Directors

Resolutions 5 to 8 relate to the re-election and election of the Directors. The Board has undertaken a formal performance evaluation during the year and confirms that the performance of the Directors standing for re-election continues to be effective and that each Director demonstrates commitment to their role. The biographies of the Directors are set out on

pages 29 and 30. The skills and experience that each Director brings to the Board for the long-term sustainable success of the Company are set out below. All the Directors held office throughout the year under review and will stand for re-election by shareholders at the meeting in accordance with the requirements of the UK Code.

**Resolution 5** relates to the re-election of Mr Peter Baxter who was appointed in April 2015. Mr Baxter brings over thirty years of investment experience to the Board, having served as chief executive of Old Mutual Asset Managers (UK) Ltd, as well as in a variety of investment roles. Having served on the Financial Reporting Council's Conduct Committee, he brings detailed knowledge in promoting high quality corporate reporting and recently served as a non-executive director on another investment trust board.

**Resolution 6** relates to the re-election of Mr Eric Sanderson who was appointed in April 2013. Mr Sanderson, who acts as Chairman, brings leadership skills and much in-depth knowledge, expertise and experience to the Board having held a number of non-executive board positions. He is a qualified chartered accountant and brings this skill set to his role as a member of the Company's Audit and Management Engagement Committee. He has detailed knowledge of the investment trust industry and serves as chairman on another investment trust board.

**Resolution 7** relates to the re-election of Dr Paola Subacchi who was appointed in July 2017. She is an economist and Professor of International Economics and Chair of the Advisory Board, Global Policy Institute, Queen Mary University of London. She is also Adjunct Professor at the University of Bologna, where she teaches a course on the economics of Europe. Previously, she was director of International Economics Research at the Royal Institute of International Affairs (Chatham House). She brings deep knowledge of Europe, including its governance and institutions.

**Resolution 8** relates to the re-election of Mr Ian Sayers who was appointed in February 2022 and also chairs the Company's Audit and Management Engagement Committee. Mr Sayers was, until recently, the chief executive of The Association of Investment Companies (AIC) and has a wide and in-depth knowledge of the commercial, technical, regulatory and governance issues facing investment companies. He also has extensive contacts with all stakeholders in the sector, including political and regulatory audiences, the media, management groups, brokers, proxy voting agencies and professional advisers.

### **Resolutions 9 and 10 – Appointment of the external auditor and the auditors' remuneration**

These resolutions relate to the appointment and remuneration of the Company's auditor. In line with emerging best corporate governance practice and EU regulations on mandatory audit rotation, an audit tender process was carried out by the Company during 2023 and, as a result, it was recommended that PricewaterhouseCoopers LLP be appointed as the Company's independent auditors for the year starting from 1 September 2023. As a result, Ernst & Young LLP will not be seeking reappointment as the Company's auditor for the financial year commencing 1 September 2023. A resolution to appoint PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the forthcoming Annual General Meeting, together with a resolution to authorise the Audit and Management Engagement Committee to determine their remuneration.

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

### **Resolution 11 – Authority to allot shares**

The Directors may only allot shares for cash if authorised to do so by shareholders in general meeting. This resolution seeks authority for the Directors to allot shares for cash up to an aggregate nominal amount of £10,081 which is equivalent to 10,081,216 ordinary shares of 0.1p each and represents 10% of the current issued ordinary share capital excluding treasury shares. The Directors will use this authority when it is in the best interests of the Company to issue shares for cash. This authority will expire at the conclusion of next year's Annual General Meeting, unless renewed prior to that date at an earlier general meeting.

### **Resolution 12 – Authority to disapply pre-emption rights**

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

Resolution 12 empowers the Directors to (i) allot new shares for cash and; (ii) to sell shares held by the Company in treasury, in each case otherwise than to existing shareholders on a pro rata basis, up to an aggregate nominal amount of £10,081 which is equivalent to 10,081,216 ordinary shares of 0.1p each and represents 10% of the Company's issued ordinary share capital excluding treasury shares at the date of this notice. For the avoidance of doubt, the powers in limbs (a) and (b) of Resolution 12 are cumulative. Unless renewed at a general meeting prior to such time, these authorities will expire at the conclusion of the Annual General Meeting of the Company to be held in 2024.

# Directors' Report

continued

## Resolution 13 – Authority to buy back ordinary shares

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

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

The Directors are seeking authority to purchase up to 15,111,742 ordinary shares (being 14.99% of the ordinary shares in issue at the date of this report) or, if less, 14.99% of the ordinary shares as at 12 December 2023. This authority, unless renewed at an earlier general meeting, will expire at the conclusion of next year's Annual General Meeting in 2024.

## Resolutions 14 and 15 – Regular tender offers

Resolutions 14 and 15 seek shareholder approval to renew the authorities to operate the semi-annual tender offers in accordance with the terms and conditions of the Company's regular tender offers. The Directors are seeking authority to purchase up to a maximum of 20% of the ordinary shares in issue at each relevant tender offer date. The authorities, if renewed, will expire on 31 July 2024 and 31 January 2025.

## Recommendation

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

## Corporate governance

Full details are given in the Corporate Governance Statement. The Corporate Governance Statement forms part of this Directors' Report.

## Audit information

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

## Independent auditors

A resolution to appoint PricewaterhouseCoopers LLP as the Company's new auditors will be proposed at the forthcoming Annual General Meeting, together with a resolution to authorise the Audit and Management Engagement Committee to determine their remuneration.

The Directors' Report was approved by the Board at its meeting on 7 November 2023.

By order of the Board

## CAROLINE DRISCOLL

For and on behalf of  
BlackRock Investment Management (UK) Limited  
Company Secretary  
7 November 2023



# Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 31 August 2023 which has been prepared in accordance with Sections 420-422 of the Companies Act 2006.

The Remuneration Report comprises a remuneration policy report and a remuneration policy implementation report. The remuneration policy report is subject to a triennial binding shareholder vote and will be put to shareholders for approval at the forthcoming Annual General Meeting. The remuneration policy implementation report is subject to an annual advisory vote.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on pages 76 to 82.

## Statement by the Chairman

The Board's policy on remuneration is set out on pages 59 and 60. A key element of the remuneration policy is that fees payable to Directors should be sufficient to attract and retain individuals with suitable knowledge and experience to promote the long-term success of the Company, whilst also reflecting the time commitment and responsibilities of the role. The basis of determining the level of any increase in Directors' remuneration and the Board's policy on remuneration is set out in the Directors' Remuneration Report.

The Board's remuneration is considered annually and was last reviewed in July 2023. Following this review, it was agreed that effective from 1 September 2023, the fees of the Chairman would increase from £44,000 to £46,500, the Chairman of the Audit and Management Engagement Committee from £35,000 to £37,000 and for the other Directors from £30,000 to £31,500. The Senior Independent Director receives an additional fee of £1,000. Prior to this, Directors' fees were last increased on 1 September 2022.

No discretionary fees have been paid to Directors during the year or previous year and the payment of such fees is expected to be a rare occurrence, only necessary in exceptional circumstances. Any discretionary fees paid to the Directors will be clearly disclosed in the Directors' Remuneration Report accompanied by an explanation of the work undertaken and why it was deemed necessary to pay such additional remuneration.

## Remuneration Committee

The Board as a whole fulfils the function of the Remuneration Committee and considers any change in the Directors' remuneration policy. It is not considered necessary to have a separate Committee as the Company's Directors are all non-executive and independent of the Manager. No advice or services were provided by any external agencies or third parties in respect of remuneration levels.

## Remuneration implementation report

A single figure for the total remuneration of each Director is set out in the table below for the years ended 31 August 2023 and 31 August 2022.

Directors	Year ended 31 August 2023			Year ended 31 August 2022		
	Fees	Taxable benefits <sup>1</sup>	Total	Fees	Taxable benefits <sup>1</sup>	Total
	£	£	£	£	£	£
Eric Sanderson (Chairman)	44,000	–	44,000	42,500	–	42,500
Peter Baxter <sup>2</sup>	31,667	–	31,667	33,500	–	33,500
Davina Curling (Senior Independent Director) <sup>3</sup>	30,833	1,204	32,037	29,000	226	29,226
Paola Subacchi	30,000	–	30,000	29,000	–	29,000
Ian Sayers (Chair of the Audit and Management Engagement Committee) <sup>4</sup>	33,333	1,810	35,143	16,071	482	16,553
<b>Total</b>	<b>169,833</b>	<b>3,014</b>	<b>172,847</b>	<b>150,071</b>	<b>708</b>	<b>150,779</b>

<sup>1</sup> Taxable benefits relate to travel and subsistence costs.

<sup>2</sup> Chairman of the Audit and Management Engagement Committee to 31 December 2022.

<sup>3</sup> Appointed as Senior Independent Director with effect from 1 November 2022.

<sup>4</sup> Appointed as Director on 10 February 2022. Appointed as Chair of the Audit and Management Engagement Committee from 1 January 2023.

The information in the above table has been audited.

# Directors' Remuneration Report

continued

The amounts paid by the Company to the Directors were for services as non-executive Directors. As at 31 August 2023, fees of £14,000 (2022: £14,000) were outstanding to Directors in respect of their annual fees. The Directors received no variable remuneration. No discretionary payments were made in the year to 31 August 2023 (2022: none). No payments for loss of office were made and no payments were made to former directors.

As the Company has no employees, the table on the previous page also comprises the total remuneration costs and benefits paid by the Company.

## Relative importance of spend on remuneration

To enable shareholders to assess the relative importance of spend on pay, this has been shown in the table below compared with the Company's total income, dividend distributions and share buy backs. As the Company has no employees, no consideration is required to be given to employment conditions elsewhere in setting Directors' pay.

	2023	2022	Change
	£'000	£'000	£'000
Directors' total remuneration	173	151	+22
Total dividends paid and payable	6,808	6,689	+119
Total revenue income	10,699	10,394	+305
Buy back of ordinary shares after costs	-3,014	-2,812	-202
Shares issued from treasury after costs	-	12,535	-12,535
Issue of new shares after costs	-	30,015	-30,015

## Annual percentage change in Directors' remuneration

The following table sets out the annual percentage change in Directors' fees for the past five years:

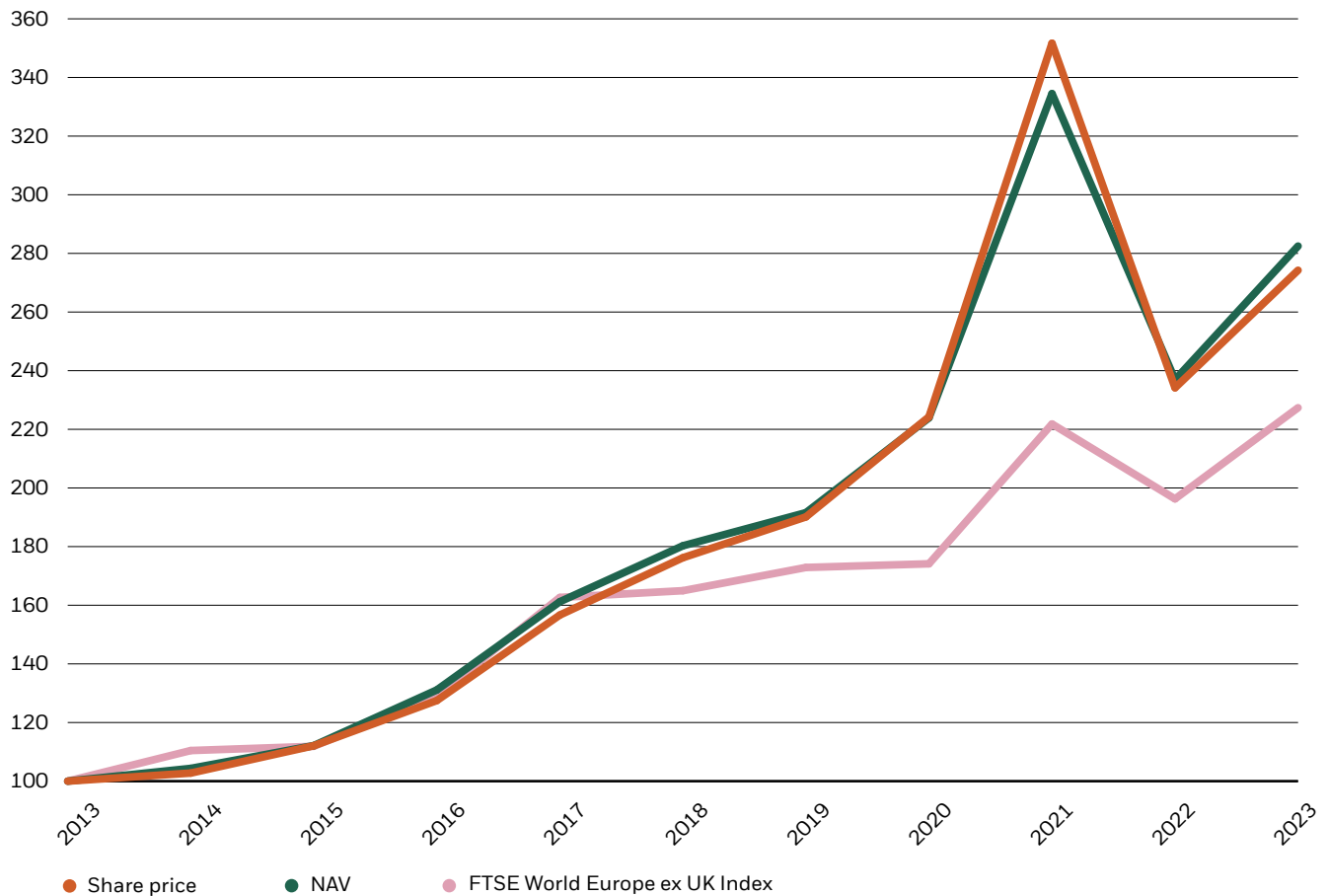
	31 August 2023	31 August 2022	31 August 2021	31 August 2020	31 August 2019
Chairman	3.5%	3.7%	0%	7.9%	4.1%
Audit and Management Engagement Committee Chair	4.5%	3.1%	0%	4.8%	3.3%
Director	3.4%	3.6%	0%	3.7%	3.8%

As previously noted, the Company does not have any employees and hence no disclosures are given in respect of the comparison between Directors' and employees' pay increases.

## Performance

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

## Performance from 1 September 2013 to 31 August 2023



Sources: BlackRock and Datastream.

Performance with dividends reinvested in Pound Sterling terms, rebased to 100 at 1 September 2013.

## Shareholdings

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

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

	31 August 2023	31 August 2022
Eric Sanderson	4,000	4,000
Peter Baxter	11,000	11,000
Davina Curling	–	–
Paola Subacchi	11,109	7,017
Ian Sayers	4,000	–

The information in the above table has been audited.

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

# Directors' Remuneration Report

continued

## **Implementation of the remuneration policy in the 2023/2024 financial year**

The Directors intend that the Remuneration Policy, which forms part of this report, will be implemented as set out on pages 59 and 60. Directors' fees have increased with effect from 1 September 2023 as outlined on page 55.

## **Retirement of Directors**

Details are given in the Directors' Report on page 50.

By order of the Board

**ERIC SANDERSON**

Chairman

7 November 2023

# Directors' Remuneration Policy

## Directors' Remuneration Policy

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

The review is performed on an annual basis. The Board is cognisant of the need to avoid any potential conflicts and has therefore agreed a mechanism by which no Director will be present when his or her own pay is being determined. The Company has no executive employees and consequently no consideration is required to be given to employment conditions elsewhere in setting this policy and there has been no employee consultation.

No element of the Directors' remuneration is performance related or subject to recovery or withholding (except for tax). The Company has not awarded any share options or long-term performance incentives. None of the Directors has a service contract with the Company or receives any non-cash benefits (except as described in the policy table), pension entitlements or compensation for loss of office.

The remuneration policy will be applied when agreeing the remuneration package of any new Director. The terms of a Director's appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company.

Directors' appointments do not have a fixed duration, but they can be terminated by the Company in writing at any time without obligation to pay compensation. On termination of the appointment, Directors shall only be entitled to accrued fees as at the date of termination, together with reimbursement of any expenses properly incurred prior to that date. Directors are also subject to re-election on an annual basis and, if not elected, their appointment ceases immediately. No payments for loss of office are made.

## Consideration of shareholders' views

An ordinary resolution to approve the Remuneration Report is put to members at each Annual General Meeting and shareholders have the opportunity to express their views and raise any queries in respect of the remuneration policy at this meeting. To date, no shareholders have commented in respect of the remuneration policy. In the event that there was a substantial vote against any resolution proposed at the Company's Annual General Meeting, the reasons for any such vote would be sought and appropriate action taken. Should the votes be against resolutions in relation to the Directors' remuneration, further details will be provided in future Directors' Remuneration Reports.

In accordance with the Companies Act 2006, the Company is required to seek shareholder approval of its remuneration policy on a triennial basis. Consequently, an ordinary resolution for the approval of the remuneration policy as set out on pages 59 and 60 will be put to members at the forthcoming Annual General Meeting. It is the intention of the Board that the policy on remuneration will continue to apply for all financial years of the Company up to 31 August 2026.

Any discretionary fees paid to the Directors will be clearly disclosed in the Directors' Remuneration Report accompanied by an explanation of the work undertaken.

## Shareholder voting

At the Company's previous Annual General Meeting held on 8 December 2022, 99.41% of votes cast (including votes cast at the Chairman's discretion) were in favour of the resolution to approve the Directors' Remuneration Report in respect of the year ended 31 August 2022 and 0.59% were against. 82,917 votes were withheld.

At the Company's Annual General Meeting held on 1 December 2020, 98.63% (including votes cast at the Chairman's discretion) were in favour of the resolution to approve the Directors' Remuneration Policy and 1.37% were against. 162,005 votes were withheld.

# Directors' Remuneration Policy

continued

## Future policy table

<b>Purpose and link to strategy</b>	Fees and benefits payable to Directors should be sufficient to attract and retain individuals of high calibre with suitable knowledge and experience. Those chairing the Board and key Committees should be paid higher fees than other Directors in recognition of their more demanding roles. Fees should reflect the time spent by Directors on the Company's affairs and the level of complexity of responsibilities borne by the Directors.
<b>Description</b>	Current levels of fixed annual fee (effective from 1 September 2023): Chairman – £46,500 Audit and Management Engagement Committee Chairman – £37,000 Senior Independent Director – £32,500 Directors – £31,500
<b>Maximum and minimum levels</b>	Remuneration consists of a fixed fee each year, set in accordance with the stated policies and as such there is no maximum threshold. However, any increase granted must be in line with the stated policies. The Company's Articles of Association set an aggregate limit of £200,000 in respect of the total remuneration that may be paid to Directors in any financial year. In addition, the Directors propose a limit of £20,000 in relation to the maximum that may be paid in respect of taxable benefits. These ceilings have been set at a level to provide flexibility in respect of the recruitment of additional Board members and inflation.
<b>Policy on share ownership</b>	Directors are not required to own shares in the Company.
<b>Operation</b>	
<b>Fixed fee element</b>	The Board reviews the quantum of Directors' pay each year to ensure that this is in line with the level of Directors' remuneration for other investment trusts of a similar size. When making recommendations for any changes in fees, the Board will consider wider factors such as the average rate of inflation over the period since the previous review and the level and any change in complexity of the Directors' responsibilities (including additional time commitments as a result of increased regulatory or corporate governance requirements). Directors are not eligible to be compensated for loss of office, nor are they eligible for bonuses, pension benefits, share options or other incentives or benefits. Directors do not have service contracts but are appointed under letters of appointment.
<b>Discretionary fees</b>	The Company's Articles of Association authorise the payment of discretionary fees to Directors for any additional work undertaken on behalf of the Company which is outside of their normal duties. Any such work and the fees payable are subject to the prior approval of the Chairman or, in the case of the Chairman undertaking the extra work, subject to the prior approval of the Chairman of the Audit Committee. Any discretionary fees paid will be disclosed in the Directors' remuneration implementation report within the Annual Report. The level of discretionary fees shall be determined by the Directors and will be subject to a maximum of £10,000 per annum per Director.
<b>Operation – expenses</b>	
<b>Taxable benefits</b>	The Directors are entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them in or about the performance of their duties as Directors, including any expenses incurred in attending meetings of the Board or Committees of the Board, Annual General Meetings or General Meetings. Some expenses incurred by Directors are required to be treated as taxable benefits. Taxable benefits include (but are not limited to) travel expenses incurred by the Directors in the course of travel to attend Board and Committee meetings which are held at the Company's registered office in London and which are reimbursed by the Company and therefore treated as a benefit in kind and are subject to tax and national insurance. The Company's policy in respect of this element of remuneration is that all reasonable costs of this nature will be reimbursed as they are incurred, including the tax and national insurance costs incurred by the Director on such expenses.



# Corporate Governance Statement

## Chairman's Introduction

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

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

As a UK-listed investment trust company our principal reporting obligation is driven by the UK Corporate Governance Code (the UK Code) issued by the Financial Reporting Council in July 2018. However, as listed investment trust companies differ in many ways from other listed companies, the Association of Investment Companies has drawn up its own set of guidelines, the AIC Code of Corporate Governance (the AIC Code) issued in February 2019, which addresses the governance issues relevant to investment companies and meets the approval of the Financial Reporting Council.

Both the UK Code and the AIC Code apply to accounting periods beginning on or after 1 January 2019. The Board has determined that it has complied with the recommendations of the AIC Code. This in most material respects is the same as the UK Code, save that there is greater flexibility regarding the tenure of the Chairman and membership of the audit committee.

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

## Compliance

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

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

- the role of the chief executive;
- executive directors' remuneration;
- the need for an internal audit function; and
- membership of the Audit and Management Engagement Committee.

The Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company with no executive employees and, in relation to the internal audit function, in view of BlackRock having an internal audit function. The Chairman is a member of the Audit and Management Engagement Committee due to being independent on his appointment to the Committee in line with Provision 29 of the AIC Code. Further explanation is provided below.

Information on how the Company has applied the principles of the AIC Code and UK Code is set out below. The UK Code is available from the Financial Reporting Council's website at [www.frc.org.uk](http://www.frc.org.uk). The AIC Code is available from the Association of Investment Companies at [www.theaic.co.uk](http://www.theaic.co.uk).

## The Board

The Board currently consists of five non-executive Directors, all of whom are considered to be independent of the Company's Manager. Provision 9 of the UK Code which relates to the combination of the roles of the chairman and chief executive does not apply as the Company has no executive directors. The UK Code recommends that the Board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the Chairman and to serve as an intermediary for the other Directors when necessary. The Code states that the senior independent director should be available to shareholders if they have concerns which contact through the normal channel of the chairman has failed to resolve or for which such contact is inappropriate. Ms Curling is the Company's Senior Independent Director and, upon her retirement, Paola Subacchi will replace her.

The Board's primary purpose is to direct the Company to maximise shareholder value within a framework of proper controls and in accordance with the Company's investment objective.

# Corporate Governance Statement

continued

## Board structure and management

Details of the Board's structure, roles and responsibilities and management are set out in the summary of Governance Structure on page 28. The Directors' biographies on pages 29 and 30 demonstrate a breadth of investment, commercial, accounting, financial and professional experience which enables them to provide effective strategic leadership and proper governance of the Company. Details of the Chairman's other significant time commitments can also be found on page 29.

The Company does not have a chief executive as day-to-day management of the Company's affairs is delegated to the Manager as AIFM, with investment management and other ancillary services delegated to the Investment Manager. Representatives of the Manager, Investment Manager and Company Secretary attend each Board meeting. The Board, the AIFM, the Investment Manager and the Company Secretary operate in a supportive and co-operative manner.

## Board independence and tenure

The Board's individual independence, including that of the Chairman, has been considered and confirmed and this independence allows all of the Directors to sit on the Company's various Committees. In line with the AIC Code, it has been agreed that Mr Sanderson will continue to be a member of the Audit and Management Engagement Committee.

The Board is of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment trust company, where continuity and experience can add significantly to the strength of the Board. It is considered that Mr Sanderson and Ms Curling, who have served as Directors for over nine years, continue to be independent in both character and judgement and that there are no relationships or circumstances which are likely to affect the judgement of any Director.

None of the Directors has a service contract with the Company. The terms of their appointment are detailed in a letter sent to them when they join the Board. Copies of these letters are available on request from the Company's registered office and will be available at the Annual General Meeting.

## Board diversity

The Board's aim regarding diversity, including age, gender, educational and professional background and other broader characteristics of diversity, is to take these into account during the recruitment and appointment process. However, the Board is committed to an objective of appointing the most appropriate candidate, regardless of gender or other forms of diversity, and therefore no targets have been set against which to report.

The Parker Review in respect of board diversity and the recent changes to the FCA's Listing Rules set new diversity targets and associated disclosure requirements for UK companies listed on the premium and standard segment of the London Stock Exchange. Listing Rule 9.8.6R (9) requires listed companies to include a statement in their annual reports and accounts in respect of certain targets on board diversity, or if those new targets have not been met to disclose the reasons for this. This new requirement applies to accounting periods commencing on or after 1 April 2022.

Further information on the composition and diversity of the Board and its Committees as at 31 August 2023 can be found in the disclosure table which follows below. Following the appointment of Ms Shah on 12 December 2023, one member of the Board will be from a minority ethnic background.

Gender	Number of Board Members	Percentage of Board	Number of senior roles held <sup>1</sup>
Men	3	60%	1
Women	2	40%	1
<b>Ethnicity<sup>2,3</sup></b>			
White British (or any other white background)	5	100%	2
Mixed/Multiple Ethnic Groups	0	0%	0
Asian/Asian British	0	0%	0
Black/African/Caribbean/Black British	0	0%	0
Other ethnic group, including Arab	0	0%	0

<sup>1</sup> According to the Listing Rules, the Chair and Senior Independent Director are defined as senior positions. In addition, the Company considers that the role of the Audit and Management Engagement Chair is a senior position.

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

<sup>3</sup> Columns corresponding to the 'Number in executive management' and 'Percentage of executive management' are not included in the table. These are inapplicable as the Company is externally managed and does not have executive management functions.

## **Directors' appointment, retirement and rotation**

The rules concerning the appointment, retirement and rotation of Directors are discussed in the Directors' Report on page 50. Appointments of new Directors are made on a formalised basis, with the Nomination Committee agreeing the selection criteria and method of selection. The services of an external search consultant may be used to identify suitable candidates. During the year, the Company engaged the services of Trust Associates, an independent search consultant, to identify suitable Board candidates, which resulted in the appointment of Ms Shah with effect from 12 December 2023.

The Board recognises the value of progressive renewing of, and succession planning, for company boards. The refreshment of the Board will remain as an ongoing process to ensure that the Board is well-balanced through the appointment of new Directors with the skills and experience necessary. Directors must be able to demonstrate commitment to the Company, including in terms of time.

## **Directors' induction, training and development**

When a new Director is appointed to the Board, he or she is provided with all the relevant information regarding the Company and their duties and responsibilities as a Director. In addition, a new Director will also spend some time with the Portfolio Managers, the Company Secretary and other key employees of the Manager whereby he or she will become familiar with the working and processes of the Company.

The Company's policy is to encourage Directors to keep up to date and attend training courses on matters which are directly relevant to their involvement with the Company. The Directors also receive regular briefings from, amongst others, the auditor and the Company Secretary regarding any proposed developments or changes in laws or regulations that could affect the Company and/or the Directors. Directors' training and development needs are reviewed by the Chairman on an annual basis.

## **Directors' liability insurance**

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

## **Board's responsibilities**

The Board is responsible to shareholders for the overall management of the Company. It decides upon matters relating to the Company's investment objective, policy and strategy and monitors the Company's performance towards achieving that objective through its agreed policy and strategy. The Board has also adopted a schedule of matters reserved for its decision. The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

Strategic issues and all operational matters of a material nature are determined by the Board. The Board has responsibility for ensuring that the Company keeps adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable it to ensure that the financial statements comply with the Companies Act 2006. It is the Board's responsibility to present a balanced and understandable assessment, which extends to interim and other price-sensitive reports. The Board is also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board has established a procedure whereby Directors wishing to do so in the furtherance of their duties, may take independent advice at the Company's expense.

## **Meetings**

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

## **Performance evaluation**

In order to review the effectiveness of the Board, the Committees and the individual Directors, the Board carries out an annual appraisal process. This encompasses both quantitative and qualitative measures of performance in respect of the Board and its Committees, implemented by way of completion of an evaluation survey and a subsequent review of findings. The Chairman also reviews with each Director their individual performance, contribution and commitment and the appraisal of the Chairman is reviewed by the other Directors, led by the Senior Independent Director.

The appraisal process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and the performance of the Board and its Committees and the contribution of individual Directors, as well as building on and developing individual and collective strengths. The review concluded that the Board oversees the management of the Company effectively and has the skills and expertise to safeguard shareholders' interests. The Board, the Investment Manager

# Corporate Governance Statement

continued

and representatives of the Manager were found to operate in a cooperative and open environment. Each Director made a valuable contribution to the Board and its discussions, brought different qualities to the Board, challenged the Investment Manager and Manager constructively, remained independent in character and judgement and dedicated sufficient time to their respective role on the Board. Board composition, dynamics and structure worked well. There were no significant actions arising from the evaluation process and it was agreed that the current composition of the Board and its Committees reflected a suitable mix of skills and experience and that the Board as a whole, the individual Directors and its Committees, were functioning effectively.

## Delegation of responsibilities

### Management and administration

The management of the investment portfolio and the administration of the Company have been contractually delegated to BlackRock Fund Managers Limited (BFM or the Manager), as the Company's AIFM, and BFM (with the permission of the Company) has delegated certain investment management and other ancillary services to BlackRock Investment Management (UK) Limited (BIM (UK) or the Investment Manager). The contractual arrangements with BFM are summarised on page 48.

The Manager, operating under guidelines determined by the Board, has direct responsibility for the decisions relating to the day-to-day running of the Company and is accountable to the Board for the investment, financial and operating performance of the Company. The Board has final investment authority on unquoted investments. The review of the Manager's performance is an ongoing duty and responsibility of the Board which is carried out at each Board meeting. In addition, a formal review is undertaken annually, details of which are set out in the Directors' Report.

The Manager has delegated fund accounting services to The Bank of New York Mellon (International) Limited (BNYM). The assets of the Company have been entrusted to the Depository for safekeeping. The Depository is BNYM and the address at which this business is conducted is given on page 113.

The Board has delegated the exercise of voting rights attaching to the securities held in the portfolio to the Investment Manager. Details of the Investment Manager's voting policy are set out on page 49.

### The Company Secretary

The Board has direct access to company secretarial advice and the services of the Manager which, through its nominated representative, is responsible for ensuring that Board and Committee procedures are followed and that applicable regulations are complied with. The appointment and removal of the Company Secretary is a matter for the whole Board.

## Committees of the Board

### Nomination Committee

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

### Audit and Management Engagement Committee

A separately chaired Audit and Management Engagement Committee has been established and comprises the whole Board. Further details are given in the Report of the Audit and Management Engagement Committee on pages 67 to 72.

### Remuneration Committee

Under the Listing Rules, where an investment trust company has no executive directors, the UK Code provisions relating to directors' remuneration do not apply. The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Remuneration Report and Directors' Remuneration Policy on pages 55 to 60. The full Board determines the level of Directors' fees and accordingly there is no separate Remuneration Committee.

### Internal controls

The Board is responsible for establishing and maintaining the Company's internal control systems and for reviewing their effectiveness, for ensuring that financial information published or used within the business is reliable and for regularly monitoring compliance with regulations governing the operation of investment trusts.

The Board, through the Audit and Management Engagement Committee (the Committee), regularly reviews the effectiveness of the internal control systems to identify, evaluate and manage the Company's significant risks. If any significant failings or

weaknesses are identified, the Manager and Board ensure that necessary action is taken to remedy the failings. The Board is not aware of any significant failings or weaknesses arising in the year under review.

Control of the risks identified, covering financial, operational, compliance and risk management, is embedded in the operations of the Company. There is a monitoring and reporting process to review these controls which has been in place throughout the year under review and up to the date of this report, carried out by the Manager's Risk and Quantitative Analysis Group. This accords with the Financial Reporting Council's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

The Company's risk register sets out the risks relevant to the Company and describes, where relevant, the internal controls that are in place at the AIFM, the Investment Manager and other third-party service providers to mitigate these risks. The Committee formally reviews this register on a semi-annual basis and the Manager as the Company's AIFM reports on any significant issues that have been identified in the period. In addition, BlackRock's internal audit department provides an annual presentation to the Audit Committee chairs of the BlackRock investment trusts on the results of testing performed in relation to BlackRock's internal control processes. The Depositary also reviews the control processes in place at the Custodian, the Fund Accountant and the AIFM and reports formally to the Committee twice yearly. Both the AIFM and the Depositary will escalate issues and report to the Committee outside of these meetings on an ad hoc basis to the extent this is required. The Committee also receives periodic SOC 1 reports from BlackRock and BNYM as Custodian and Fund Accountant on the internal controls of their respective operations, together with the opinion of their reporting accountants.

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

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

## **Financial reporting**

The Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements is set out on page 73, the Independent Auditor's Report on pages 76 to 82 and the Statement of Going Concern on page 50.

## **Socially responsible investment**

The Company invests in the securities of large, mid and small capitalisation European companies, together with some investment in the developing markets of Europe. The Board believes that it is important to invest in companies whose boards act responsibly in respect of environmental, ethical and social issues. The Investment Manager's evaluation procedures and financial analysis of the companies within the portfolio includes research and appraisal, and considers environmental policies, social, ethical and other business issues. In this regard, the European team works closely with colleagues in the BlackRock Investment Stewardship team.

BlackRock's policies on socially responsible investment and corporate governance are detailed on the website at [www.blackrock.com/corporate/en-gb/about-us/responsible-investment/responsible-investment-reports](http://www.blackrock.com/corporate/en-gb/about-us/responsible-investment/responsible-investment-reports). The Manager is supportive of the UK Stewardship Code which is voluntary and operates on a 'comply or explain' basis.

## **Bribery prevention policy**

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

## **Criminal Finances Act 2017**

The Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

# Corporate Governance Statement

continued

## Communications with shareholders

Under normal operating conditions, all shareholders have the opportunity to attend and vote at the Annual General Meeting. The Notice of Annual General Meeting sets out the business of the Meeting which is explained in the Directors' Report. Separate resolutions are proposed for substantive issues. Regular updates on performance are available to shareholders on the BlackRock website and the Portfolio Managers will review the Company's portfolio and performance at the Annual General Meeting, where the Chairman of the Board and the Chairman of the Audit and Management Engagement Committee and representatives of the Manager will be available to answer shareholders' queries. Proxy voting figures will be announced to shareholders at the Annual General Meeting and will be made available on the Manager's website shortly after the meeting. In accordance with Provision 4 of the UK Code, when 20% of votes have been cast against a resolution at any general meeting, the Board will explain, when announcing the results of voting, what actions it intends to take to understand the reasons behind the vote result. An interim action statement will also be published within six months of the vote, setting out the views received from shareholders and the actions the Company has taken, and will include a summary of the feedback and actions in the next Annual Report.

The Company's willingness to enter into discussions with institutional shareholders is also demonstrated by the programmes of institutional presentations made by the Investment Manager. The Board discusses with the Investment Manager at each Board meeting any feedback from meetings with shareholders and it also receives reports from its corporate broker. The Chairman and Directors are also available to meet with shareholders periodically without the Investment Manager being present. The Chairman may be contacted via the Company Secretary whose details are given on page 113. The dialogue with shareholders provides a two-way forum for canvassing the views of shareholders and enabling the Board to become aware of any issues of concern, including those relating to performance, strategy and corporate governance.

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

## Packaged Retail and Insurance-Based Investment Products (PRIIPs) Regulation (The Regulation)

The Regulation (as onshored in the UK and amended) requires that anyone manufacturing, advising on, or selling a PRIIP to a retail investor in the UK must comply with the Regulation. Shares issued by investment trusts fall into scope of the Regulation.

Investors should be aware that the PRIIPs Regulation requires the AIFM, as PRIIPs manufacturer, to prepare a key information document (KID) in respect of the Company. This KID must be made available, free of charge, to UK retail investors prior to them making any investment decision and is published on BlackRock's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by the Regulation. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

The PRIIPs KID in respect of the Company can be found at: [www.blackrock.com/uk/brge](http://www.blackrock.com/uk/brge).

## Disclosure Guidance and Transparency Rules

Information required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules has been placed in the Directors' Report on pages 47 to 54 because it is information which refers to events that have taken place during the course of the year.

For and on behalf of the Board

**ERIC SANDERSON**

Chairman

7 November 2023



# Report of the Audit and Management Engagement Committee

As Chair of the Company's Audit and Management Engagement Committee (the Committee) I am pleased to present the Committee's report to shareholders for the year ended 31 August 2023.

## Composition

All of the Directors are members of the Committee. The Association of Investment Companies published its updated Code of Corporate Governance in February 2019 which has been endorsed by the Financial Reporting Council. It states that the Chairman of the Board should not chair the Committee but can be a member if they were independent on appointment. The Chairman of the Company is a member of the Committee to enable him to be kept fully informed of any issues which may arise. The Committee also benefits from his experience as a chartered accountant.

The Directors' biographies are given on pages 29 and 30 and the Board considers that at least one member of the Committee has recent and relevant financial experience and specific competence in accounting and/or auditing and the Committee as a whole has competence relevant to the sector in which the Company operates.

## Performance evaluation

Details of the evaluation of the Committee are set out in the Corporate Governance Statement on pages 63 and 64.

## Role and responsibilities

The Committee meets at least twice a year. The two planned meetings are held prior to the Board meetings to approve the half yearly and annual results and the Committee receives information from BlackRock's internal audit and compliance departments on a regular basis.

The Committee operates within written terms of reference detailing its scope and duties and these are available on the website at [www.blackrock.com/uk/literature/terms-of-reference/blackrock-greater-europe-investment-trust-plc-audit-and-management-enganement-committee-tor-a.pdf](http://www.blackrock.com/uk/literature/terms-of-reference/blackrock-greater-europe-investment-trust-plc-audit-and-management-enganement-committee-tor-a.pdf). The Committee's principal duties, as set out in the terms of reference, are set out below. In accordance with these duties, the principal activities of the Committee during the year included:

## Internal controls, financial reporting and risk management systems

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

## Narrative reporting

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

## External audit

- making recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting in relation to the appointment, re-appointment and removal of the Company's external auditor;
- reviewing the scope, execution, results, cost effectiveness, independence and objectivity of the external auditor;
- reviewing and approving the audit and non-audit fees payable to the external auditor and the terms of its engagement;
- reviewing and approving the external auditor's plan for the following financial year, with a focus on the identification of areas of audit risk and consideration of the appropriateness of the level of audit materiality adopted;

# Report of the Audit and Management Engagement Committee continued

- reviewing the efficiency of the external audit process and the quality of the audit engagement partner and the audit team, and making a recommendation with respect to the reappointment of the auditor;
- reviewing the role of the Manager and third-party service providers in an effective audit process;
- considering the quality of the formal audit report to shareholders; and
- overseeing the relationship with the external auditor.

## Management engagement

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

## Third-party service providers

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

## Reporting responsibilities

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

## Internal audit

- considering the need for an internal audit function, as set out in the Corporate Governance Statement on page 65 and below.

The Company does not have its own internal audit function, as all administration is delegated to the Manager. The Board considers that it is sufficient to rely on the internal audit function of BlackRock. The requirement for an internal audit function is kept under review. The external auditor obtains an understanding of the internal controls in place at both the Manager and Fund Accountant by analysing the relevant internal control reports issued by their independent auditors.

## Whistleblowing policy

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

## Non-audit services

The fees paid to the external auditor are set out in note 5 of the Financial Statements. An explanation of how auditor objectivity and independence is safeguarded is reported under 'Assessment of the effectiveness of the external audit process' on pages 71 and 72.

The Company's policy on permitted audit related and non-audit services is set out in full in the Committee's terms of reference which are available on the website at [www.blackrock.com/uk/brge](http://www.blackrock.com/uk/brge). In the years to 31 August 2023 and 31 August 2022, the auditor did not provide any audit related or non-audit services to the Company.

## United Kingdom Single Electronic Format regulatory technical standard (UKSEF)

We paid special attention to the preparation of our financial statements in digital form under the UKSEF taxonomy and regulatory technical standard. We made sure the necessary procedures had been completed by all parties, including the technical accounting team of the Manager, our Fund Accountant, The Bank of New York Mellon (International) Limited and a specialist information technology provider.

## Audit Committee Standard

The Financial Reporting Council's Audit Committee Standard 'Audit Committees and the External Audit: Minimum Standard' was published in May 2023 with immediate effect. It is applicable to FTSE 350 companies with a premium listing on the London Stock Exchange and will operate on a comply or explain basis until the creation of the Audit, Reporting and Governance Authority (ARGA), at which time compliance will be mandated. This Standard is not anticipated to have a

significant impact on the Company, but the Audit and Management Engagement Committee will be reviewing its current practices against the Standard to avoid any non compliance when ARGAs is formed.

## **Significant issues considered regarding the Annual Report and Financial Statements**

During the year, the Committee considered a number of significant issues and areas of key audit risk in respect of the Annual Report and Financial Statements. The Committee reviewed the external audit plan at an early stage and concluded that the appropriate areas of audit risk relevant to the Company had been identified and that suitable audit procedures had been put in place to obtain reasonable assurance that the financial statements as a whole would be free of material misstatements. The table opposite sets out the key areas of risk identified by the Committee and also explains how these were addressed.

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### **Significant issue**

The accuracy of the valuation of the investment portfolio

#### **How the issue was addressed**

Listed investments are valued using stock exchange prices from third party vendors. The Board reviews detailed portfolio valuations including the fair valuation of investments suspended from trading at each of its Board meetings and receives confirmation from the Manager that the pricing basis is appropriate, in line with relevant accounting standards as adopted by the Company, and that the carrying values are materially correct. The Board also relies on the Manager's and Fund Accountant's controls which are documented in their internal controls report which is reviewed by the Committee.

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### **Significant issue**

The risk of misappropriation of assets and unsecured ownership of investments

#### **How the issue was addressed**

The Depositary is responsible for financial restitution for the loss of financial investments held in custody. The Depositary reports to the Committee on a twice-yearly basis. The Committee reviews reports from its service providers on key controls over the assets of the Company and will take action to address any significant issues that are identified in these reports, which may include direct discussions with representatives of the relevant service providers to obtain more detailed information surrounding any matters of concern and gaining assurance that appropriate remediation action has been taken. Any significant issues are reported by the Manager to the Committee.

The Manager has put in place procedures to ensure that investments can only be made to the extent that the appropriate contractual and legal arrangements are in place to protect the Company's assets.

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### **Significant issue**

The accuracy of the calculation of the management fee

#### **How the issue was addressed**

The management fee is calculated in accordance with the contractual terms in the investment management agreement by the Fund Accountants and is reviewed in detail by the Manager and is also subject to analytical review by the Board.

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### **Significant issue**

The risk that income is overstated, incomplete or inaccurate through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income.

#### **How the issue was addressed**

The Committee reviews income forecasts, including special dividends, and receives explanations from the Manager for any variations or significant movements from previous forecasts and prior year numbers. The Committee also reviews the facts and circumstances of all special dividends to determine the revenue/capital treatment. The Directors also review a detailed schedule of dividends received from portfolio holdings at each meeting which sets out current and historic dividend rates, and the amounts accrued. Any significant movements or unusual items are discussed with the Manager.

# Report of the Audit and Management Engagement Committee continued

As the provision of portfolio valuation, fund accounting and administration services is delegated to the Investment Manager, which sub-delegates fund accounting to The Bank of New York Mellon (International) Limited (BNYM) and the provision of depositary services and custody services are contracted to BNYM, the Committee has also reviewed the Service Organisation Control (SOC 1) reports prepared by BlackRock and BNYM to ensure that the relevant control procedures are in place to cover these areas of risk as identified on page 69 are adequate and appropriate and have been designated as operating effectively by the reporting auditors.

## External audit and tender process

The Committee is mindful of the regulations on mandatory auditor rotation which require the appointment of a new auditor or perform an audit tender every ten years. As a result, the Company carried out a formal tender process in July 2023 and PricewaterhouseCoopers LLP was selected as the Company's new independent auditors for the forthcoming year ending on 31 August 2024. Ernst & Young LLP (EY), who has been in office since the Company's launch in September 2004, will not seek re-election at the forthcoming Annual General Meeting. The Committee will continue to review the auditors' appointment each year to ensure that the Company is receiving an optimal level of service. There are no contractual obligations that restrict the Company's choice of auditors. The Committee appointed an internal Selection Panel (the Panel) on its behalf to review the competitive tender bids and make recommendations to it for consideration.

The Committee is responsible for overseeing the relationship with the external auditors and for considering their terms of engagement, remuneration, effectiveness, independence and continued objectivity. The Committee reviews annually the audit requirements of the Group, for the business and in the context of the external environment, placing great importance on ensuring a high quality, effective external audit process.

## Planning and preparation

As part of planning the tender process, the Committee has taken due regard of the current FRC guidance on audit tenders and has considered the relevant sections of the 'Audit Committees and the External Audit: Minimum Standard published by the FRC in May 2023.

The steps that were undertaken as part of the tender process are set out below:

The Company issued a formal Request for Proposal (RFP) to the three firms (Deloitte LLP, Mazars LLP and PricewaterhouseCoopers LLP) which had confirmed a willingness to participate in the tender process detailing the evaluation criteria which would be used by the Panel in informing its decision, which included but were not limited to:

- independence criteria;
- quality and clarity of audit approach and audit quality review record of the firm;
- the quality of understanding of the audit risk areas and audit transition and implementation plan;
- audit transition and implementation plan;
- depth of understanding of the business, its industry and the risks in the industry; and
- overall quality of the response and adherence to RFP instructions.

## Written proposal

The Company received a written proposal from each of the firms.

## Presentations and Q&A session

At the final stage, the participating firms delivered presentations and their proposed audit plan, followed by a question-and-answer session. The meetings were attended by all of the Panel members.

## Evaluation, assessment and Committee recommendation

The Committee's unanimous view was that each firm participated with energy, enthusiasm and integrity and that each could perform a quality audit of the Company. However, based on the evaluation criteria above, the Panel discussed and unanimously agreed to recommend PricewaterhouseCoopers LLP and Deloitte LLP to the Committee for consideration, but also expressed their thanks to Mazars LLP for its participation. Following a review, the Committee concurred with the Panel's findings and recommendations.

## **Board decision**

Based on the Panel's findings, the Committee recommended the two firms to the Board, with a preference for the tender to be awarded to PricewaterhouseCoopers LLP. The Board endorsed the Committee's recommendation.

## **Announcement**

The Board will seek approval for PricewaterhouseCoopers LLP to be appointed as external auditors at the 2023 Annual General Meeting for the year ending 31 August 2024.

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.

## **Assessment of the effectiveness of the external audit process**

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

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

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

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

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

# Report of the Audit and Management Engagement Committee continued

As a result of its review, the Committee has concluded that the external audit has been conducted effectively and also that EY is independent of the Company and the Manager.

## Conclusions in respect of the Annual Report and Financial Statements

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

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

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

### IAN SAYERS

Chair

Audit and Management Engagement Committee

7 November 2023



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

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

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

- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the Directors at the date of this report, whose names are listed on pages 29 and 30, confirm to the best of their knowledge that:

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

The UK Corporate Governance Code also requires Directors to ensure that the Annual Report and Financial Statements are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit and Management Engagement Committee advise on whether it considers that the Annual Report and Financial Statements fulfils these requirements. The process by which the Committee has reached these conclusions is set out in the Audit and Management Engagement Committee's Report on pages 67 to 72. As a result, the Board has concluded that the Annual Report and Financial Statements for the year ended 31 August 2023, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

For and on behalf of the Board

**ERIC SANDERSON**

Chairman

7 November 2023

# AIB







# Financial statements



New addition Allied Irish Banks not only benefits from a higher interest rate regime but also from an improved structural backdrop in Ireland.

PHOTO COURTESY OF ALLIED IRISH BANKS

# Independent Auditor's Report

to the members of BlackRock Greater Europe Investment Trust plc

## Opinion

We have audited the financial statements of BlackRock Greater Europe Investment Trust plc ("the Company") for the year ended 31 August 2023 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

## Basis for opinion

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

## Independence

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

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

## Conclusions relating to going concern

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

- Confirmation of our understanding of the Company's going concern assessment process and engagement with the Directors and the Company Secretary to determine if all key factors were considered in their assessment.

- Inspection of the Directors' assessment of going concern, including the revenue forecast, for the period to 30 November 2024. In preparing the revenue forecast, the Company has concluded that it is able to continue to meet its liabilities as they fall due.
- Review of the factors and assumptions as applied to the revenue forecast and the Directors' liquidity assessment of the investments. We considered the appropriateness of the methods used to be able to make an assessment for the Company.
- In relation to the Company's overdraft facility, our inspection of the Directors' assessment of the risk of breaching the debt covenants as a result of a reduction in the value of the investment portfolio. We recalculated the Company's compliance with debt covenants and performed reverse stress testing in order to identify what factors would lead to the Company breaching the financial covenants.
- Consideration of the mitigating factors included in the revenue forecast and covenant calculations that are within the control of the Company. We reviewed the Company's assessment of the liquidity of investments held and evaluated the Company's ability to sell those investments to cover the working capital requirements should revenue decline significantly.
- Review of the Company's going concern disclosures included in the Annual Report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

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

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

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

## Overview of our audit approach

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<b>Key audit matters</b>	<ul style="list-style-type: none"><li>• Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement.</li><li>• Risk of incorrect valuation or ownership of the investment portfolio.</li></ul>
<b>Materiality</b>	<ul style="list-style-type: none"><li>• Overall materiality of £5.66m (2022: £4.84m) which represents 1% (2022: 1%) of the Company's shareholder's funds.</li></ul>

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## Key audit matters

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

## An overview of the scope of our audit

### Tailoring the scope

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

### Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Directors have stated that they are cognisant of the long-term risk to performance from inadequate attention to Environmental, Social and Governance (ESG) issues, and in particular the impact of climate change. This is explained in the principal risks section included in the Strategic Report (pages 33 to 37), which forms part of the "Other information", rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the financial statements as set out in Note 2a and conclusion that there was no material impact of climate change on the valuation of investments. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

# Independent Auditor's Report

continued

Risk	Our response to the risk	Key observations communicated to the Audit and Management Engagement Committee
<p><b>Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement</b></p>	<p><b>We performed the following procedures:</b></p> <p>We obtained an understanding of BNYM and the Manager's processes and controls around revenue recognition by reviewing their internal controls reports and performing our walkthrough procedures.</p> <p>For all dividends recognised by the Company, we recalculated the investment income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share, which was agreed to an independent data vendor. We agreed all distributions to bank statements and, where applicable, we also agreed the exchange rates to an external source.</p> <p>For all dividends accrued at the year end, we confirmed that the Company held the relevant investments as at the ex-dividend date and reviewed the investee company announcements to assess whether the obligation arose prior to 31 August 2023. We agreed the dividend rate to the corresponding announcements made by the investee company, recalculated the amount receivable and, where applicable, agreed the subsequent cash receipts to post-year end bank statements</p> <p>To test completeness of recorded investment income, we tested that expected dividends for each investee company held during the year had been recorded as income with reference to investee company announcements obtained from an independent data vendor.</p> <p>For all investments held during the year, we compared the type of dividends paid with reference to an external data source to identify those which were 'special'. We tested the special dividends received, by recalculating the amount received and assessing the appropriateness of classification as revenue or capital by reviewing the underlying rationale of the distribution.</p>	<p>The results of our procedures identified no material misstatement in relation to the risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement.</p>
<p><i>Refer to the Report of the Audit and Management Engagement Committee (page 69); Accounting policies (pages 87 and 88); and Note 3 of the Financial Statements (page 90).</i></p>		
<p>The total investment income for the year to 31 August 2023 was £10.70m (2022: £10.57m), consisting primarily of dividend income from overseas listed investments.</p>		
<p>During the year, the Company received one special dividend amounting to £0.03m, which was classified as revenue and no capital special dividends noted during the year (2022: £0.82m, of which £0.64m was classified as revenue and £0.18m was classified as capital).</p>		
<p>There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment.</p>		
<p>In addition to the above, the Directors may, in certain circumstances, exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Income Statement.</p>		



**Key observations communicated to the Audit and Management Engagement Committee**

Risk	Our response to the risk	Key observations communicated to the Audit and Management Engagement Committee
<p><b>Risk of incorrect valuation or ownership of the investment portfolio</b></p> <p><i>Refer to the Report of the Audit and Management Engagement Committee (page 69); Accounting policies (page 88); and Note 10 of the Financial Statements (page 95).</i></p> <p>The valuation of the investment portfolio as at 31 August 2023 was £594.73m (2022: £477.82m), consisting of listed equity investments.</p> <p>The valuation of the instruments held in the investment portfolio is the key driver of the Company's net asset value and total return. Inappropriate investment pricing, including incorrect application of exchange rates, or failure to maintain proper legal title of the instruments held by the Company could have a significant impact on the portfolio valuation and, therefore, the return generated for shareholders.</p> <p>The fair value of exchange listed investments is determined using quoted market bid prices at close of business on the reporting date.</p> <p>The Company holds investments in four Russian companies. During the year ended 31 August 2023, the Company's investments in three of these companies remained at a nominal value of £0.01 per share. The investment in Fix Price Group was previously valued at a nominal value of £0.01 per share until 31 August 2023 when the BlackRock Pricing Committee determined the investment should be valued at \$1.75 per share.</p> <p>The Company's investments in the four Russian companies have been valued at £0.94m as at 31 August 2023 and were classified as Level 3 investments.</p>	<p><b>We performed the following procedures:</b></p> <p>We obtained an understanding of BNYM's processes surrounding investment title and pricing by reviewing their internal control reports and performing our walkthrough procedures. We also obtained an understanding of the Manager's processes and controls surrounding compliance with international sanctions against Russia.</p> <p>For all listed investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year end. For Russian securities, we assessed the valuation applied by BlackRock's Pricing Committee with reference to the requirements of FRS 102 including agreeing the value of Fix Price Group to recent trade prices.</p> <p>We inspected the stale pricing reports produced by BNYM to identify prices that have not changed and verified whether the listed price is a valid fair value.</p> <p>We compared the Company's investment holdings at 31 August 2023 to independent confirmations received directly from the Company's Custodian and Depositary, testing any reconciling items to supporting documentation.</p>	<p>The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation or ownership of the investment portfolio.</p>

# Independent Auditor's Report

continued

## Our application of materiality

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

## Materiality

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

We determined materiality for the Company to be £5.66m (2022: £4.84m), which is 1% (2022: 1%) of the Company's shareholders' funds. We believe that shareholders' funds provides us with a basis of materiality aligned to the key measure of the Company's performance.

## Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely £4.24m (2022: £3.63m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company, we have also applied a separate testing threshold of £0.39m (2022: £0.43m) for the revenue column of the Income Statement, being the greater of 5% of the net revenue profit on ordinary activities before taxation and our reporting threshold.

## Reporting threshold

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

We agreed with the Audit and Management Engagement Committee that we would report to them all uncorrected audit differences in excess of £0.28m (2022: £0.24m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

## Other information

The other information comprises the information included in the Annual Report set out on pages 1 to 73 and 108 to 135, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

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

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

We have nothing to report in this regard.

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

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

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

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

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

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

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

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

### Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

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

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 50 and 87;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 37 and 38;
- Director's statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on pages 37, 38, 50 and 87;
- Directors' statement on fair, balanced and understandable set out on page 73;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 33;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 33 to 37; and
- The section describing the work of the Audit and Management Engagement Committee set out on pages 67 to 72.

### Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements set out on page 73, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are FRS 102, the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code, the Association of Investment Companies' Code of Corporate Governance and Statement of Recommended Practice, section 1158 of the Corporation Tax Act 2010 and The Companies (Miscellaneous Reporting) Regulations 2018.
- We understood how BlackRock Greater Europe Investment Trust plc is complying with those frameworks through discussions with the Audit and Management Engagement Committee and Company Secretary, review of Board and committee meeting minutes and review of papers provided to the Audit and Management Engagement Committee.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect

# Independent Auditor's Report

continued

to incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital items in the Income Statement. Further discussion of our approach is set out in the section on key audit matters above.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **Other matters we are required to address**

Following the recommendation from the Audit and Management Engagement Committee, we were appointed by the Company on 10 June 2004 to audit the financial statements for the period ending 15 October 2004 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 20 years, covering the periods ending 15 October 2004 to 31 August 2023.

The audit opinion is consistent with the additional report to the Audit and Management Engagement Committee.

## **Use of our report**

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

**Matthew Price** (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

7 November 2023

# Income Statement

for the year ended 31 August 2023

	Notes	2023			2022		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	10	–	87,830	87,830	–	(206,195)	(206,195)
Gains on foreign exchange		–	1,149	1,149	–	1,142	1,142
Income from investments held at fair value through profit or loss	3	10,699	–	10,699	10,394	177	10,571
<b>Total income/(loss)</b>		<b>10,699</b>	<b>88,979</b>	<b>99,678</b>	<b>10,394</b>	<b>(204,876)</b>	<b>(194,482)</b>
<b>Expenses</b>							
Investment management fee	4	(888)	(3,554)	(4,442)	(977)	(3,907)	(4,884)
Other operating expenses	5	(1,934)	(89)	(2,023)	(811)	(40)	(851)
<b>Total operating expenses</b>		<b>(2,822)</b>	<b>(3,643)</b>	<b>(6,465)</b>	<b>(1,788)</b>	<b>(3,947)</b>	<b>(5,735)</b>
<b>Net profit/(loss) on ordinary activities before finance costs and taxation</b>		<b>7,877</b>	<b>85,336</b>	<b>93,213</b>	<b>8,606</b>	<b>(208,823)</b>	<b>(200,217)</b>
Finance costs	6	(167)	(665)	(832)	(68)	(270)	(338)
<b>Net profit/(loss) on ordinary activities before taxation</b>		<b>7,710</b>	<b>84,671</b>	<b>92,381</b>	<b>8,538</b>	<b>(209,093)</b>	<b>(200,555)</b>
Taxation charge	7	(790)	–	(790)	(810)	–	(810)
<b>Net profit/(loss) on ordinary activities after taxation</b>	<b>9</b>	<b>6,920</b>	<b>84,671</b>	<b>91,591</b>	<b>7,728</b>	<b>(209,093)</b>	<b>(201,365)</b>
<b>Earnings/(loss) per ordinary share (pence)</b>	<b>9</b>	<b>6.85</b>	<b>83.77</b>	<b>90.62</b>	<b>7.65</b>	<b>(207.09)</b>	<b>(199.44)</b>

The total columns of this statement represent the Company's profit and loss account. The supplementary revenue and capital accounts are both prepared under guidance published 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. All income is attributable to the equity holders of the Company.

The net profit/(loss) on ordinary activities for the year disclosed above represents the Company's total comprehensive income/(loss).

The notes on pages 87 to 105 form part of these financial statements.

# Statement of Changes in Equity

for the year ended 31 August 2023

	Notes	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>For the year ended 31 August 2023</b>								
At 31 August 2022		117	85,325	130	71,572	315,960	10,695	483,799
Total comprehensive income:								
Net profit for the year		-	-	-	-	84,671	6,920	91,591
Transaction with owners, recorded directly to equity:								
Ordinary shares repurchased into treasury	14,15	-	-	-	(3,001)	-	-	(3,001)
Share buyback costs	14,15	-	-	-	(13)	-	-	(13)
Dividends paid <sup>1</sup>	8	-	-	-	-	-	(6,666)	(6,666)
<b>At 31 August 2023</b>		<b>117</b>	<b>85,325</b>	<b>130</b>	<b>68,558</b>	<b>400,631</b>	<b>10,949</b>	<b>565,710</b>
<b>For the year ended 31 August 2022</b>								
At 31 August 2021		113	48,340	130	71,541	522,321	9,286	651,731
Total comprehensive (loss)/income:								
Net (loss)/profit for the year		-	-	-	-	(209,093)	7,728	(201,365)
Transaction with owners, recorded directly to equity:								
Ordinary shares issued		4	30,067	-	-	-	-	30,071
Ordinary shares reissued from treasury		-	6,974	-	2,843	2,743	-	12,560
Ordinary shares repurchased into treasury		-	-	-	(2,804)	-	-	(2,804)
Share issue costs		-	(56)	-	-	-	-	(56)
Share reissue costs		-	-	-	(14)	(11)	-	(25)
Share buyback costs		-	-	-	(8)	-	-	(8)
Tender costs written back		-	-	-	14	-	-	14
Dividends paid <sup>2</sup>		-	-	-	-	-	(6,319)	(6,319)
<b>At 31 August 2022</b>		<b>117</b>	<b>85,325</b>	<b>130</b>	<b>71,572</b>	<b>315,960</b>	<b>10,695</b>	<b>483,799</b>

<sup>1</sup> Interim dividend paid in respect of the year ended 31 August 2023 of 1.75p per share was declared on 10 May 2023 and paid on 19 June 2023. Final dividend paid in respect of the year ended 31 August 2022 of 4.85p per share was declared on 3 November 2022 and paid on 16 December 2022.

<sup>2</sup> Interim dividend paid in respect of the year ended 31 August 2022 of 1.75p per share was declared on 11 May 2022 and paid on 17 June 2022. Final dividend paid in respect of the year ended 31 August 2021 of 4.55p per share was declared on 5 November 2021 and paid on 17 December 2021.

For information on the Company's distributable reserves, please refer to note 15 on pages 96 and 97.

The notes on pages 87 to 105 form part of these financial statements.



# Balance Sheet

as at 31 August 2023

	Notes	2023 £'000	2022 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	10	594,727	477,816
<b>Current assets</b>			
Current tax asset		2,350	1,919
Debtors	11	1,517	220
Cash and cash equivalents		–	7,348
<b>Total current assets</b>		<b>3,867</b>	<b>9,487</b>
<b>Creditors – amounts falling due within one year</b>			
Bank overdraft	13,16 (c)	(27,617)	(182)
Other creditors	12	(5,267)	(3,322)
<b>Total current liabilities</b>		<b>(32,884)</b>	<b>(3,504)</b>
<b>Net current (liabilities)/assets</b>		<b>(29,017)</b>	<b>5,983</b>
<b>Net assets</b>		<b>565,710</b>	<b>483,799</b>
<b>Capital and reserves</b>			
Called up share capital	14	117	117
Share premium account	15	85,325	85,325
Capital redemption reserve	15	130	130
Special reserve	15	68,558	71,572
Capital reserves	15	400,631	315,960
Revenue reserve	15	10,949	10,695
<b>Total shareholders' funds</b>	<b>9</b>	<b>565,710</b>	<b>483,799</b>
<b>Net asset value per ordinary share (pence)</b>	<b>9</b>	<b>560.11</b>	<b>475.72</b>

The financial statements on pages 83 to 105 were approved and authorised for issue by the Board of Directors on 7 November 2023 and signed on its behalf by Eric Sanderson, Chairman.

BlackRock Greater Europe Investment Trust plc

Registered in England, No. 5142459

The notes on pages 87 to 105 form part of these financial statements.

# Statement of Cash Flows

for the year ended 31 August 2023

	Note	2023 £'000	2022 £'000
<b>Operating activities</b>			
Net profit/(loss) on ordinary activities before taxation		92,381	(200,555)
Add back finance costs		832	338
(Gains)/losses on investments held at fair value through profit or loss		(87,830)	206,195
Gains on foreign exchange		(1,149)	(1,142)
Sale of investments held at fair value through profit or loss		86,863	179,206
Purchase of investments held at fair value through profit or loss		(115,924)	(185,158)
Increase in debtors		(25)	(23)
Increase/(decrease) in other creditors		1,231	(160)
Taxation on investment income		(1,763)	(1,498)
Interest paid		(832)	(338)
Refund of withholding tax reclaims		542	9
<b>Net cash used in operating activities</b>		<b>(25,674)</b>	<b>(3,126)</b>
<b>Financing activities</b>			
Ordinary shares issued		–	32,889
Ordinary shares reissued from treasury		–	12,535
Ordinary shares repurchased into treasury		(3,592)	(2,234)
Dividends paid	8	(6,666)	(6,319)
<b>Net cash (used in)/generated from financing activities</b>		<b>(10,258)</b>	<b>36,871</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(35,932)</b>	<b>33,745</b>
Cash and cash equivalents at the start of the year		7,166	(27,721)
Effect of foreign exchange rate changes		1,149	1,142
<b>Cash and cash equivalents at the end of the year</b>		<b>(27,617)</b>	<b>7,166</b>
<b>Comprised of:</b>			
Cash at bank		–	1,104
Cash Fund <sup>1</sup>		–	6,244
Bank overdraft		(27,617)	(182)
		<b>(27,617)</b>	<b>7,166</b>

<sup>1</sup> Cash Fund represents funds held on deposit with the BlackRock Institutional Cash Series plc - Euro Liquid Environmentally Aware Fund.

The notes on pages 87 to 105 form part of these financial statements.

# Notes to the Financial Statements

for the year ended 31 August 2023

## 1. Principal activity

The Company was incorporated on 1 June 2004 and its principal activity is that of an investment trust company within the meaning of Section 1158 of the Corporation Tax Act 2010.

## 2. Accounting policies

The principal accounting policies adopted by the Company are set out below:

### (a) Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the revised Statement of Recommended Practice – Financial Statements of Investment Trust Companies and Venture Capital Trusts (SORP) issued by the Association of Investment Companies (AIC) in October 2019, and updated in July 2022, and the provisions of the Companies Act 2006.

Substantially, all of the assets of the Company consist of securities that are readily realisable and, accordingly, the Directors are satisfied that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements, and therefore consider the going concern assumption to be appropriate. The Directors have reviewed compliance with covenants associated with the bank overdraft facility, income and expense projections and the liquidity of the investment portfolio in making their assessment.

The Directors have considered the impact of climate change on the value of the investments included in the Financial Statements and have concluded that:

- there was no further impact of climate change to be considered as the investments are valued based on market pricing as required by FRS 102; and
- the risk is adequately captured in the assumptions and inputs used in measurement of Level 3 assets, as noted in note 16 of the Financial Statements.

None of the Company's other assets and liabilities were considered to be potentially impacted by climate change.

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

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

### (b) Presentation of Income Statement

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

### (c) Segmental reporting

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

### (d) Income

Dividends receivable on equity shares are treated as revenue for the year on an ex-dividend basis. Where no ex-dividend date is available, dividends receivable on or before the year end are treated as revenue for the year. Provisions are made for dividends not expected to be received.

Special dividends are recognised on an ex-dividend basis and treated as capital or revenue depending on the facts or circumstances of each particular dividend.

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

Deposit interest receivable is accounted for on an accruals basis.

# Notes to the Financial Statements

continued

## 2. Accounting policies continued

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

### (e) Expenses

All expenses, including finance costs, are accounted for on an accruals basis. Expenses have been charged wholly to the revenue account of the Income Statement, except as follows:

- expenses which are incidental to the acquisition or disposal of an investment are treated as capital. Details of transaction costs on the purchases and sales of investments are disclosed in note 10 on page 95;
- expenses are treated as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated; and
- the investment management fee and finance costs have been allocated 20% to the revenue account and 80% to the capital account of the Income Statement in line with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio.

### (f) Taxation

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

The current tax effect of different items of expenditure is allocated between capital and revenue on the marginal basis using the Company's effective rate of corporation tax for the accounting period.

Deferred taxation is recognised in respect of all timing differences at the financial reporting date, where transactions or events that result in an obligation to pay more taxation in the future or right to less taxation in the future have occurred at the balance sheet date. Deferred taxation is measured on a non-discounted basis, at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. This is subject to deferred taxation assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the timing differences can be deducted.

### (g) Investments held at fair value through profit or loss

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

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

The fair value of the financial investments is based on their quoted bid price at the balance sheet date on the exchange on which the investment is quoted, without deduction for the estimated future selling costs.

Unquoted investments are valued by the Directors at fair value using International Private Equity and Venture Capital Valuation Guidelines. This policy applies to all current and non-current asset investments of the Company.

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

The fair value hierarchy consists of the following three levels:

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

Level 2 – Valuation techniques using observable inputs.

Level 3 – Valuation techniques using significant unobservable inputs.

### **(h) Debtors**

Debtors include sales for future settlement, other debtors and prepayments and accrued income in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

### **(i) Creditors**

Creditors include purchases for future settlement, interest payable, share buy back costs and accruals in the ordinary course of business. Creditors are classified as creditors – amounts due within one year if payment is due within one year or less (or in the normal operating cycle of business if longer). If not, they are presented as creditors – amounts due after more than one year.

### **(j) Dividends payable**

Under Section 32 of FRS 102, final dividends should not be accrued in the financial statements unless they have been approved by shareholders before the balance sheet date. Dividends payable to equity shareholders are recognised in the Statement of Changes in Equity when they have been approved by shareholders and have become a liability of the Company. Interim dividends are only recognised in the financial statements in the period in which they are paid.

### **(k) Cash and cash equivalents**

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

### **(l) Foreign currency translation**

In accordance with Section 30 of FRS 102, the Company is required to nominate a functional currency being the currency in which the Company predominately operates. The functional and reporting currency is Pound Sterling, reflecting the primary economic environment in which the Company operates. Transactions in foreign currencies are translated into Pound Sterling at the rates of exchange ruling on the date of the transaction. Foreign currency monetary assets and liabilities are translated into Pound Sterling at the rates of exchange ruling at the balance sheet date. Profits and losses thereon are recognised in the capital account of the Income Statement and taken to the capital reserve.

### **(m) Share repurchases, share reissues and new share issues**

Shares repurchased and subsequently cancelled – share capital is reduced by the nominal value of the shares repurchased and the capital redemption reserve is correspondingly increased in accordance with Section 733 of the Companies Act 2006. The full cost of the repurchase is charged to the special reserve.

Shares repurchased and held in treasury – the full cost of the repurchase is charged to the special reserve.

Where treasury shares are subsequently reissued:

- amounts received to the extent of the repurchase price are credited to the special reserve and capital reserves based on a weighted average basis of amounts utilised from these reserves on repurchases; and
- any surplus received in excess of the repurchase price is taken to the share premium account.

Where new shares are issued, the par value is taken to called up share capital and amounts received to the extent of any surplus received in excess of the par value are taken to the share premium account.

Share issue costs are charged to the share premium account. Costs on share reissues are charged to the special reserve and capital reserves.

### **(n) Bank borrowings**

Bank overdrafts are recorded as the proceeds received. Finance charges are accounted for on an accruals basis in the Income Statement.

### **(o) Critical accounting estimates and judgements**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Directors do not believe that any accounting judgements or estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

# Notes to the Financial Statements

continued

## 3. Income

	2023 £'000	2022 £'000
<b>Investment income:</b>		
UK dividends	764	681
Overseas dividends	9,907	9,072
Overseas special dividends	27	641
<b>Total investment income</b>	<b>10,698</b>	<b>10,394</b>
<b>Other income:</b>		
Interest received	1	–
<b>Total income</b>	<b>10,699</b>	<b>10,394</b>

Dividends and interest received in cash during the year amounted to £7,781,000 and £1,000 respectively (2022: £8,893,000 and £nil).

No special dividends have been recognised in capital during the year (2022: £177,000).

## 4. Investment management fee

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	888	3,554	4,442	977	3,907	4,884
<b>Total</b>	<b>888</b>	<b>3,554</b>	<b>4,442</b>	<b>977</b>	<b>3,907</b>	<b>4,884</b>

With effect from 1 January 2023, the investment management fee is levied quarterly based on a tiered basis: 0.85% per annum of the month-end net asset value up to £350 million and 0.75% per annum of the month-end net asset value above £350 million.

Up to and including 31 December 2022, the investment management fee was levied quarterly, based on 0.85% per annum of the net asset value on the last day of each month.

The investment management fee is allocated 20% to the revenue account and 80% to the capital account of the Income Statement. There is no additional fee for company secretarial and administration services.



## 5. Other operating expenses

	2023 £'000	2022 £'000
<b>Allocated to revenue:</b>		
Broker fees	48	46
Custody fees	36	61
Depositary fees	65	62
Audit fees <sup>1</sup>	57	52
Legal fees <sup>2</sup>	26	142
Registrar's fees	97	92
Directors' emoluments <sup>3</sup>	173	151
Marketing fees	97	130
Postage and printing fees	68	60
AIC fees	21	21
Professional fees	66	19
Stock exchange listing fees	35	17
Write back of prior year expense accruals <sup>4</sup>	(23)	(55)
Other administration costs	24	13
Provision for doubtful debts <sup>5</sup>	1,144	–
	<b>1,934</b>	<b>811</b>
<b>Allocated to capital:</b>		
Custody transaction costs <sup>6</sup>	89	40
	<b>2,023</b>	<b>851</b>
The Company's ongoing charges <sup>7</sup> , calculated as a percentage of average daily net assets and using the management fee and all other operating expenses, excluding finance costs, direct transaction costs, custody transaction charges, VAT recovered, taxation, prior year expenses written back and certain non-recurring items were:	0.98%	0.98%

<sup>1</sup> No non-audit services are provided by the Company's auditor (2022: none).

<sup>2</sup> For the year ended 31 August 2022, legal fees of £117,000 related to legal work for the aborted issuance of a long-dated loan note.

<sup>3</sup> Further information on Directors' emoluments can be found in the Directors' Remuneration Report on page 55. The Company has no employees.

<sup>4</sup> Relates to legal fees and registrar's fees written back in the year ended 31 August 2023 (31 August 2022: legal fees, postage and printing fees, professional fees, miscellaneous fees and Directors' expenses).

<sup>5</sup> Provision for doubtful debts relate to dividend income from Sberbank which has not been received due to measures imposed by the Russian authorities in response to the sanctions that have been imposed on Russia as a result of the invasion of Ukraine.

<sup>6</sup> For the year ended 31 August 2023, expenses of £89,000 (2022: £40,000) were charged to the capital account of the Income Statement. These relate to transaction costs charged by the custodian on sale and purchase trades.

<sup>7</sup> Alternative Performance Measure, see Glossary on pages 123 to 127.

## 6. Finance costs

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on bank overdraft	167	665	832	68	270	338
	<b>167</b>	<b>665</b>	<b>832</b>	<b>68</b>	<b>270</b>	<b>338</b>

Finance costs for the Company, insofar as they relate to the financing of the Company's investments, are charged 20% to the revenue account and 80% to the capital account of the Income Statement.

# Notes to the Financial Statements

continued

## 7. Taxation

### (a) Analysis of charge in year

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Current taxation:</b>						
Overseas tax suffered	790	–	790	916	–	916
Overseas tax - prior year adjustment	–	–	–	(106)	–	(106)
<b>Total taxation charge (note 7 (b))</b>	<b>790</b>	<b>–</b>	<b>790</b>	<b>810</b>	<b>–</b>	<b>810</b>

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

The taxation assessed for the year is lower (2022: higher) than the blended rate of corporation tax used of 21.52% (based on a rate of 19.00% up to 31 March 2023 and a rate of 25.00% from 1 April 2023) (2022: standard rate of corporation tax of 19.00%). The differences are explained below.

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit/(loss) on ordinary activities before taxation	7,710	84,671	92,381	8,538	(209,093)	(200,555)
Profit/(loss) on ordinary activities multiplied by blended rate of 21.52% (2022: standard rate of 19.00%)	1,659	18,221	19,880	1,622	(39,728)	(38,106)
<b>Effects of:</b>						
Overseas tax suffered	790	–	790	916	–	916
Overseas tax - prior year adjustment	–	–	–	(106)	–	(106)
Exchange gain not taxable	–	(247)	(247)	–	(229)	(229)
Overseas dividends not subject to tax	(2,139)	–	(2,139)	(1,711)	–	(1,711)
UK dividends not subject to tax	(164)	–	(164)	(129)	–	(129)
Movement in management expenses not utilised/ recognised	357	765	1,122	214	743	957
Non-trade loan relationship deficit not utilised/ recognised	41	143	184	18	51	69
Expense relief for overseas tax	–	–	–	(14)	–	(14)
Disallowed expenses	246	19	265	–	8	8
Capital (gains)/losses not taxable	–	(18,901)	(18,901)	–	39,155	39,155
<b>Total taxation charge (note 7(a))</b>	<b>790</b>	<b>–</b>	<b>790</b>	<b>810</b>	<b>–</b>	<b>810</b>

At 31 August 2023, the Company had net surplus management expenses of £44.6 million (2022: £39.5million) and a non-trade loan relationship deficit of £2.1 million (2022: £1.2 million) giving total unutilised losses of £46.7 million (2022: £40.7 million). A deferred tax asset has not been recognised in respect of these losses because the Company is not expected to generate taxable income in the future in excess of the deductible expenses of that future period and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing expenses or loan relationship deficits. The Company has an unrecognised deferred tax asset of £11.7 million (2022: £10.2 million) as at 31 August 2023 based on the corporation tax rate in effect from 1 April 2023 of 25%, as enacted by the Finance Act 2021.

## 8. Dividends

<b>Dividends paid on equity shares</b>	<b>Record date</b>	<b>Payment date</b>	<b>2023 £'000</b>	<b>2022 £'000</b>
2021 Final dividend of 4.55p	19 November 2021	17 December 2021	–	4,529
2022 Interim dividend of 1.75p	20 May 2022	17 June 2022	–	1,790
2022 Final dividend of 4.85p	18 November 2022	16 December 2022	4,899	–
2023 Interim dividend of 1.75p	19 May 2023	19 June 2023	1,767	–
			<b>6,666</b>	<b>6,319</b>

The Directors have proposed a final dividend of 5.00p per share in respect of the year ended 31 August 2023. The final dividend will be paid on 20 December 2023, subject to shareholders' approval on 12 December 2023, to shareholders on the Company's register on 17 November 2023. The proposed final dividend has not been included as a liability in these financial statements as final dividends are only recognised in the financial statements when they have been approved by shareholders.

The total dividends payable in respect of the year which form the basis of determining retained income for the purpose of Section 1158 of the Corporation Tax Act 2010 and Section 833 of the Companies Act 2006, and the amount proposed for the year ended 31 August 2023, meet the relevant requirements as set out in this legislation.

<b>Dividends paid or proposed on equity shares</b>	<b>2023 £'000</b>	<b>2022 £'000</b>
Interim paid of 1.75p (2022: 1.75p)	1,767	1,790
Final proposed of 5.00p* (2022: 4.85p)	5,041	4,899
	<b>6,808</b>	<b>6,689</b>

\* Based on 100,812,161 ordinary shares (excluding treasury shares) in issue on 7 November 2023.

All dividends paid or payable are distributed from the Company's current year revenue profits and, if required, from brought forward revenue reserves.

# Notes to the Financial Statements

continued

## 9. Earnings and net asset value per ordinary share

Revenue, capital earnings/(loss) and net asset value per ordinary share are shown below and have been calculated using the following:

	2023	2022
Net revenue profit attributable to ordinary shareholders (£'000)	6,920	7,728
Net capital profit/(loss) attributable to ordinary shareholders (£'000)	84,671	(209,093)
<b>Total profit/(loss) attributable to ordinary shareholders (£'000)</b>	<b>91,591</b>	<b>(201,365)</b>
<b>Total shareholders' funds (£'000)</b>	<b>565,710</b>	<b>483,799</b>
<b>Earnings per share</b>		
The weighted average number of ordinary shares in issue during the year on which the earnings per ordinary share was calculated was:	101,067,709	100,964,479
The actual number of ordinary shares in issue at the end of the year on which the net asset value per ordinary share was calculated was:	101,000,161	101,698,853
<b>Calculated on weighted average number of ordinary shares:</b>		
Revenue earnings per share (pence) – basic and diluted	6.85	7.65
Capital earnings/(loss) per share (pence) – basic and diluted	83.77	(207.09)
<b>Total earnings/(loss) per share (pence) – basic and diluted</b>	<b>90.62</b>	<b>(199.44)</b>
	<b>As at 31 August 2023</b>	<b>As at 31 August 2022</b>
Net asset value per share (pence)	560.11	475.72
Ordinary share price (pence)	527.00	456.00

There were no dilutive securities at the year end.

## 10. Investments held at fair value through profit or loss

	2023 £'000	2022 £'000
UK listed equity investments	36,308	33,988
Overseas listed equity investments	558,419	443,828
<b>Valuation of listed investments at 31 August</b>	<b>594,727</b>	<b>477,816</b>
Opening book cost of equity investments	423,321	393,781
Investment holding gains	54,495	288,993
<b>Opening fair value</b>	<b>477,816</b>	<b>682,774</b>
<b>Analysis of transactions made during the year:</b>		
Purchases at cost	117,216	177,090
Sales proceeds received	(88,135)	(175,853)
Gains/(losses) on investments	87,830	(206,195)
<b>Closing fair value</b>	<b>594,727</b>	<b>477,816</b>
Closing book cost of equity investments	445,733	423,321
Closing investment holding gains	148,994	54,495
<b>Closing fair value</b>	<b>594,727</b>	<b>477,816</b>

The Company received £88,135,000 (2022: £175,853,000) from investments sold in the year. The book cost of these investments when they were purchased was £94,804,000 (2022: £147,550,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of investments.

Transaction costs of £342,000 (2022: £244,000) were incurred on the acquisition of investments. Costs relating to the disposal of investments during the year amounted to £74,000 (2022: £55,000). All transaction costs have been included within capital reserves.

## 11. Debtors

	2023 £'000	2022 £'000
Sales for future settlement	1,272	-
Prepayments and accrued income	245	220
	<b>1,517</b>	<b>220</b>

## 12. Creditors – amounts falling due within one year

	2023 £'000	2022 £'000
Purchases for future settlement	1,292	-
Share buybacks payable	-	578
Accrued expenditure	3,975	2,744
	<b>5,267</b>	<b>3,322</b>

# Notes to the Financial Statements

continued

## 13. Reconciliation of liabilities arising from financing activities

	2023 £'000	2022 £'000
Bank overdraft at beginning of the year	182	27,721
Cash flows:		
Movement in overdraft	27,934	(27,401)
Non cash flows:		
Effects of foreign exchange gain	(499)	(138)
<b>Bank overdraft at end of the year</b>	<b>27,617</b>	<b>182</b>

## 14. Called up share capital

	Ordinary shares number	Treasury shares number	Total shares number	Nominal value £'000
<b>Allotted, called up and fully paid share capital comprised:</b>				
<b>Ordinary shares of 0.1 pence each:</b>				
At 31 August 2022	101,698,853	16,230,085	117,928,938	117
Ordinary shares repurchased into treasury	(698,692)	698,692	-	-
<b>At 31 August 2023</b>	<b>101,000,161</b>	<b>16,928,777</b>	<b>117,928,938</b>	<b>117</b>

During the year, 698,692 ordinary shares (2022: 601,558) were repurchased and held in treasury for a net consideration after expenses of £3,014,000 (2022: £2,812,000).

During the year, no new ordinary shares (2022: 4,300,000) were issued for a net consideration after expenses of £nil (2022: £30,015,000).

During the year, no ordinary shares (2022: 1,945,000) were reissued from treasury for a net consideration after expenses of £nil (2022: £12,535,000).

Since 31 August 2023 and up to the latest practicable date of 7 November 2023, no new ordinary shares have been issued and no ordinary shares have been reissued from treasury. A further 188,000 ordinary shares have been repurchased for a net consideration after expenses of £994,000 and placed in treasury.

## 15. Reserves

	Distributable Reserves					
	Share premium account £'000	Capital redemption reserve £'000	Special reserve <sup>1</sup> £'000	Capital reserve (arising on investments sold) £'000	Capital reserve (arising on revaluation of investments held) £'000	Revenue reserve £'000
At 31 August 2022	85,325	130	71,572	261,370	54,590	10,695
Movement during the year:						
Total comprehensive (loss)/income:						
Net (loss)/profit for the year	-	-	-	(10,189)	94,860	6,920
Transaction with owners, recorded directly to equity:						
Ordinary shares repurchased into treasury	-	-	(3,001)	-	-	-
Share buyback costs	-	-	(13)	-	-	-
Dividends paid during the year	-	-	-	-	-	(6,666)
<b>At 31 August 2023</b>	<b>85,325</b>	<b>130</b>	<b>68,558</b>	<b>251,181</b>	<b>149,450</b>	<b>10,949</b>



**Distributable Reserves**

	Share premium account £'000	Capital redemption reserve £'000	Special reserve <sup>1</sup> £'000	Capital reserve (arising on investments sold) £'000	Capital reserve (arising on revaluation of investments held) £'000	Revenue reserve £'000
At 31 August 2021	48,340	130	71,541	233,571	288,750	9,286
Movement during the year:						
Total comprehensive income/(loss):						
Net profit/(loss) for the year	–	–	–	25,067	(234,160)	7,728
Transaction with owners, recorded directly to equity:						
Ordinary shares issued	30,067	–	–	–	–	–
Ordinary shares reissued from treasury	6,974	–	2,843	2,743	–	–
Ordinary shares repurchased into treasury	–	–	(2,804)	–	–	–
Share issue costs	(56)	–	–	–	–	–
Share reissue costs	–	–	(14)	(11)	–	–
Share buyback costs	–	–	(8)	–	–	–
Tender costs written back	–	–	14	–	–	–
Dividends paid during the year	–	–	–	–	–	(6,319)
<b>At 31 August 2022</b>	<b>85,325</b>	<b>130</b>	<b>71,572</b>	<b>261,370</b>	<b>54,590</b>	<b>10,695</b>

<sup>1</sup> Relates to amount transferred from the share premium account to a special reserve pursuant to Court approval received on 15 October 2004.

The share premium account and capital redemption reserve are not distributable reserves under the Companies Act 2006. In accordance with ICAEW Technical Release 02/17BL on Guidance on Realised and Distributable Profits under the Companies Act 2006, the special reserve and capital reserves may be used as distributable reserves for all purposes and, in particular, the repurchase by the Company of its ordinary shares and for payments such as dividends. In accordance with the Company's Articles of Association, the special reserve, capital reserves and the revenue reserve may be distributed by way of dividend. The gain on the capital reserve arising on the revaluation of investments of £149,450,000 (2022: gain of £54,590,000) is subject to fair value movements and may not be readily realisable at short notice; as such it may not be entirely distributable. The investments are subject to financial risks; as such the capital reserves (arising on investments sold) and the revenue reserve may not be entirely distributable if a loss occurred during the realisation of these investments.

# Notes to the Financial Statements

continued

## 16. Risk management policies and procedures

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

### Risk management framework

The following information refers to the risk management framework of the Alternative Investment Fund Manager (AIFM). However, as disclosed in the Corporate Governance Statement on pages 64 and 65 and in the Statement of Directors' Responsibilities on page 73, it is the ultimate responsibility of the Board to ensure that the Company's risks are appropriately monitored, and to the extent that elements of this are delegated to third party service providers, the Board is responsible for ensuring that the relevant parties are discharging their duties in accordance with the terms of relevant agreements and taking appropriate action to the extent issues are identified.

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

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

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

### Risk exposures

The risk exposures of the Company are set out as follows:

#### (a) Market risk

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

A key metric RQA uses to measure market risk is Value-at-Risk (VaR) which encompasses price, currency and interest rate risk. VaR is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables (including other price risk, foreign currency risk and interest rate risk), unlike a traditional sensitivity analysis.

The VaR calculations are based on a confidence level of 99% with a holding period of not greater than one day and a historical observation period of not less than one year (250 days). A VaR number is defined at a specified probability and a specified time horizon. A 99% one day VaR means that the expectation is that 99% of the time over a one day period the Company will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk. It is noted that the use of VaR methodology has limitations, namely assumptions that risk factor returns are normally distributed and that the use of historical market data as a basis for estimating future events does not encompass all possible scenarios, particularly those that are of an extreme nature and that the use of a specified confidence level (e.g. 99%) does not take into account losses that occur beyond this level. There is some probability that the loss could be greater than the VaR percentage amounts. These limitations and the nature of the VaR measure mean that the Company can neither guarantee that losses will not exceed the VaR amounts indicated, nor that losses in excess of the VaR amounts will not occur more frequently.

The one-day VaR as at 31 August 2023 and 31 August 2022 (based on a 99% confidence level) was 2.83% and 4.65%, respectively.

**(i) Market risk arising from foreign currency risk****Exposure to foreign currency risk**

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

The fair values of the Company's monetary items which have foreign currency exposure at 31 August 2023 and 31 August 2022 are shown below. Where the Company's equity investments which are not monetary items are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	2023				2022			
	Euro £'000	Danish Krone £'000	Swiss Franc £'000	Other £'000	Euro £'000	Danish Krone £'000	Swiss Franc £'000	Other £'000
Debtors (due from brokers, withholding tax receivable, prepayments and accrued income)	2,211	572	759	79	560	493	775	91
Creditors (due to brokers and other payables)	(351)	(653)	–	(317)	(316)	–	–	–
Cash and cash equivalents	–	–	–	–	7,348	–	–	1
Bank overdraft	(27,437)	–	–	–	–	–	–	–
<b>Total foreign currency exposure on net monetary items</b>	<b>(25,577)</b>	<b>(81)</b>	<b>759</b>	<b>(238)</b>	<b>7,592</b>	<b>493</b>	<b>775</b>	<b>92</b>
Investments at fair value through profit or loss that are equities	366,069	106,277	93,953	28,428	260,268	96,860	82,063	38,625
<b>Total net foreign currency exposure</b>	<b>340,492</b>	<b>106,196</b>	<b>94,712</b>	<b>28,190</b>	<b>267,860</b>	<b>97,353</b>	<b>82,838</b>	<b>38,717</b>

**Concentration of exposure to foreign currency risks**

An analysis of the Company's investment portfolio is shown on pages 23 and 24. At 31 August 2023, this shows that the portfolio had significant levels of investments in Europe. Accordingly, there is a concentration of exposure to Europe and equates to exposure to the economic conditions in Europe, though it is recognised that this aligns with the investment objective and policy adopted by the Company.

**Management of foreign currency risk**

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

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

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

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

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

**(ii) Market risk arising from interest rate risk****Exposure to interest rate risk**

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

# Notes to the Financial Statements

continued

## 16. Risk management policies and procedures continued

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

### Interest rate exposure

The exposure at 31 August 2023 and 31 August 2022 of financial assets and liabilities to interest rate risk is shown by reference to:

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

	2023			2022		
	Within one year	More than one year	Total	Within one year	More than one year	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Exposure to floating interest rates:</b>						
Cash and cash equivalents	–	–	–	7,348	–	7,348
Bank overdraft	(27,617)	–	(27,617)	(182)	–	(182)
<b>Total exposure to interest rates</b>	<b>(27,617)</b>	<b>–</b>	<b>(27,617)</b>	<b>7,166</b>	<b>–</b>	<b>7,166</b>

The Company does not have any fixed rate exposure at 31 August 2023 or 31 August 2022.

### Management of interest rate risk

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

The Company finances part of its operating activities through borrowings at levels approved and monitored by the Board of the Company.

Interest received on cash balances, or paid on the bank overdraft respectively, is approximately 0.97% and 5.36% per annum (2022: 0.37% and 3.64% per annum).

### (iii) Market risk arising from other price risk

#### Exposure to other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, climate change, or other events could have a significant impact on the Company and market prices of its investments.

The current environment of heightened geopolitical risk given the war in Ukraine has undermined investor confidence and market direction. In addition to the tragic and devastating events in Ukraine, the war has constricted supplies of key commodities, pushing prices up and creating a level of market uncertainty and volatility which is likely to persist for some time.

The Company is exposed to market price risk arising from its equity investments. The movements in the prices of these investments result in movements in the performance of the Company. Other price risk sensitivity has been covered by the VaR analysis under the market risk section on page 98.

The Company's exposure to other changes in market prices at 31 August 2023 on its equity investments was £594,727,000 (2022: £477,816,000).

### Management of other price risk

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

### (b) Counterparty credit risk

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

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

The major counterparties engaged with the Company are all widely recognised and regulated entities.

There were no past due or impaired assets as of 31 August 2023 (2022: none).

### Depository

The Company's Depository is The Bank of New York Mellon (International) Limited (BNYM or the Depository) (S&P long-term credit rating as at 31 August 2023: AA- (2022: AA-)). The Company's listed investments are held on its behalf by The Bank of New York Mellon (International) Limited (BNYM) as the Company's Custodian (as sub-delegated by the Depository). All of the equity assets and cash of the Company are held within the custodial network of the global custodian appointed by the Depository. Bankruptcy or insolvency of the Depository/Custodian may cause the Company's rights with respect to its investments held by the Depository/Custodian to be delayed or limited. The maximum exposure to this risk at 31 August 2023 is the total value of investments held with the Depository/Custodian and cash and cash equivalents in the Balance Sheet.

In accordance with the requirements of the depository agreement, the Depository will ensure that any agents it appoints to assist in safekeeping the assets of the Company will segregate the assets of the Company. Thus, in the event of insolvency or bankruptcy of the Depository, the Company's non-cash assets are segregated and this reduces counterparty credit risk. The Company will, however, be exposed to the counterparty credit risk of the Depository in relation to the Company's cash held by the Depository. In the event of the insolvency or bankruptcy of the Depository, the Company will be treated as a general creditor of the Depository in relation to cash holdings of the Company.

### Counterparties/brokers

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

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

Cash held by a counterparty is subject to the credit risk of the counterparty. The following table details the total number of counterparties to which the Company is exposed, the maximum exposure to any one counterparty, any collateral held by the Company against this exposure, the total exposure to all other counterparties and the lowest long-term credit rating of any one counterparty (or its ultimate parent if unrated).

Year	Total number of counterparties	Maximum exposure to any one counterparty <sup>1</sup>	Total exposure to all other counterparties <sup>1</sup>	Lowest credit rating of any one counterparty <sup>2</sup>
		£'000	£'000	
2023	3	735	537	BBB
2022	2	6,244	1,104	AA-

<sup>1</sup> Calculated on a net exposure basis.

<sup>2</sup> Standard & Poor's ratings.

Cash is subject to counterparty credit risk as the Company's access to its cash could be delayed should the counterparties become insolvent or bankrupt.

# Notes to the Financial Statements

continued

## 16. Risk management policies and procedures continued

### Debtors

Amounts due from debtors are disclosed on the Balance Sheet as debtors.

The counterparties included in debtors are the same counterparties discussed previously under counterparty credit risk and subject to the same scrutiny by the BlackRock RQA Counterparty and Concentration Risk (RQA CCR) team. The Company monitors the ageing of debtors to mitigate the risk of debtor balances becoming overdue.

In summary, the exposure to credit risk at 31 August 2023 and 31 August 2022 was as follows:

	2023 £'000	2022 £'000
Debtors (amounts due from brokers, prepayments and accrued income)	1,517	220
	<b>1,517</b>	<b>220</b>

### Management of counterparty credit risk

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

The counterparty credit risk is managed as follows:

- transactions are only entered into with those counterparties approved by RQA CCR, with a formal review carried out for each new counterparty and counterparties selected by RQA CCR on the basis of a number of risk mitigation criteria designed to reduce the risk to the Company of default;
- the creditworthiness of financial institutions with whom cash is held is reviewed regularly by RQA CCR; and
- RQA CCR reviews the credit standard of the Company's brokers on a periodic basis and set limits on the amount that may be due from any one broker.

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

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

### (c) Liquidity risk

This is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. At the year end, the Company had an available overdraft facility of the lower of £60 million or 15% of the Company's net assets (2022: lower of £70 million or 15% of the Company's net assets).

### Liquidity risk exposure

The undiscounted gross cash outflows of the financial liabilities as at 31 August 2023 and 31 August 2022, based on the earliest date on which payment can be required, were as follows:

	2023 Within 1 year £'000	2022 Within 1 year £'000
Bank overdraft	(27,617)	(182)
Creditors – amounts falling due within one year	(5,267)	(3,322)
	<b>(32,884)</b>	<b>(3,504)</b>



### **Management of liquidity risk**

Liquidity risk is minimised by holding sufficient liquid investments which can be readily realised to meet liquidity demands. Asset disposals may also be required to meet liquidity needs. Liquidity risk is not significant as the majority of the Company's assets are investments in listed securities that are readily realisable.

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

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

### **(d) Valuation of financial instruments**

Financial assets and financial liabilities are either carried in the Balance Sheet at their fair value (investments) or at an amount which is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank and bank overdrafts). Section 34 of FRS 102 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The valuation techniques used by the Company are explained in the accounting policies note to the Financial Statements on page 88.

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

The fair value hierarchy has the following levels:

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Company does not adjust the quoted price for these instruments.

#### **Level 2 – Valuation techniques using observable inputs**

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

#### **Level 3 – Valuation techniques using significant unobservable inputs**

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

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

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

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability including an assessment of the relevant risks including but not limited to credit risk, market risk, liquidity risk, business risk and sustainability risk. The determination of what constitutes 'observable' inputs requires significant judgement by the Investment Manager and these risks are adequately captured in the assumptions and inputs used in the measurement of Level 3 assets or liabilities.

# Notes to the Financial Statements

continued

## 16. Risk management policies and procedures continued

### Fair values of financial assets and financial liabilities

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

Financial assets at fair value through profit or loss at 31 August 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	593,785	–	942	594,727
<b>Total</b>	<b>593,785</b>	<b>–</b>	<b>942</b>	<b>594,727</b>

Financial assets at fair value through profit or loss at 31 August 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	477,813	–	3	477,816
<b>Total</b>	<b>477,813</b>	<b>–</b>	<b>3</b>	<b>477,816</b>

The Company held four Level 3 securities as at 31 August 2023 (2022: four).

A reconciliation of fair value measurement in Level 3 is set out below.

Level 3 Financial assets at fair value through profit or loss	2023 £'000	2022 £'000
Opening fair value	3	–
Transfers from Level 1	–	3
Gain on investments included in gains/(losses) on investments in the Income Statement	939	–
<b>Closing balance</b>	<b>942</b>	<b>3</b>

As at 31 August 2023, the investments in Sberbank, Ozon Holdings and Lukoil have been valued at a nominal value of £0.01 as the secondary listings of depositary receipts of Russian companies have been suspended from trading. The investment in Fix Price Group was previously valued at a nominal value of £0.01. From 31 August 2023, the BlackRock Pricing Committee determined that this investment should now be valued at US\$1.75 based on the price quotation received from brokers in the OTC markets.

For exchange listed equity investments, the quoted price is the bid price. Substantially, all investments are valued based on unadjusted quoted market prices. Where such quoted prices are readily available in an active market, such prices are not required to be assessed or adjusted for any price related risks, including climate change risk, in accordance with the fair value related requirements of the Company's financial reporting framework.

## 17. Capital management policies and procedures

The Company's capital management objectives are:

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

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

The Company's total capital as at 31 August 2023 was £565,710,000 (2022: £483,799,000) comprised of equity, capital and other reserves.

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

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

The Company is subject to externally imposed capital requirements:

- as a public company, the Company has a minimum share capital of £50,000; and
- in order to be able to pay dividends out of profits available for distribution, the Company has to be able to meet one of the two capital restrictions tests imposed on investment companies by law.

During the year, the Company complied with the externally imposed capital requirements to which it was subject. In addition, the Company has complied with any covenants in relation to the overdraft agreement.

## 18. Transactions with the Investment Manager and AIFM

BlackRock Fund Managers Limited (BFM) provides management and administration services to the Company under a contract which is terminable on six months' notice. BFM has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services, to BlackRock Investment Management (UK) Limited (BIM (UK)). Further details of the investment management contract are disclosed in the Directors' Report on page 48.

The investment management fee is levied quarterly based on a tiered basis: 0.85% per annum on the month-end net asset value up to £350 million and 0.75% per annum on the month-end net asset value above £350 million. Up to and including 31 December 2022, the investment management fee was levied quarterly, based on 0.85% per annum of the net asset value on the last day of each month. The investment management fee due for the year ended 31 August 2023 amounted to £4,442,000 (2022: £4,884,000). At the year end, £3,426,000 was outstanding in respect of these fees (2022: £2,199,000).

In addition to the above services, BIM (UK) provided the Company with marketing services. The total fees paid or payable for these services for the year ended 31 August 2023 amounted to £97,000 excluding VAT (2022: £130,000). Marketing fees of £168,000 were outstanding at 31 August 2023 (2022: £71,000).

During the year, the Manager pays the amounts due to the Directors. These fees are then reimbursed by the Company for the amounts paid on its behalf. As at 31 August 2023, an amount of £113,000 was payable to the Manager in respect of Directors' fees (2022: £149,000).

The ultimate holding company of the Manager and the Investment Manager is BlackRock, Inc., a company incorporated in Delaware, USA.

## 19. Related party disclosure

Disclosures of the Directors' interests in the ordinary shares of the Company and fees and expenses payable to the Directors are set out in the Directors' Remuneration Report on pages 55 and 57. At 31 August 2023, an amount of £14,000 (2022: £14,000) was outstanding in respect of Directors' fees.

### Significant holdings

The following investors are:

- funds managed by the BlackRock Group or are affiliates of BlackRock Inc. (Related BlackRock Funds); or
- investors (other than those listed in (a) above) who held more than 20% of the voting shares in issue in the Company and are, as a result, considered to be related parties to the Company (Significant Investors).

### As at 31 August 2023

Total % of shares held by Related BlackRock Funds	Total % of shares held by Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.	Number of Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.
1.4	n/a	n/a

### As at 31 August 2022

Total % of shares held by Related BlackRock Funds	Total % of shares held by Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.	Number of Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.
1.8	n/a	n/a

## 20. Contingent liabilities

There were no contingent liabilities at 31 August 2023 (2022: none).







# Additional information

← A wave of building renovation driven by global efforts to decarbonise should see the earnings of construction industry chemicals specialist Sika underpinned for more than a decade.

PHOTO COURTESY OF SIKA



# Shareholder information

## Financial calendar

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

<b>April</b>	Half yearly figures announced and Half Yearly Financial Report published.
<b>May</b>	Interim dividend paid.
<b>November</b>	Annual results and final dividend for year announced. Annual Report and Financial Statements published.
<b>December</b>	Annual General Meeting.
<b>December</b>	Final dividend paid.

## Dividend – 2023

The proposed final dividend in respect of the year ended 31 August 2023 is 5.00p per share. The Board also declared an interim dividend of 1.75p per share which was paid on 19 June 2023 to shareholders on the register on 19 May 2023.

Ex-dividend date (shares transferred without the dividend)	16 November 2023
Record date (last date for registering transfers to receive the dividend)	17 November 2023
Last date for registering DRIP instructions	29 November 2023
Dividend payment date	20 December 2023

## Payment of dividends

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

## Dividend reinvestment scheme (DRIP)

Shareholders may request that their dividends be used to purchase further shares in the Company. Dividend reinvestment forms may be obtained from Computershare Investor Services PLC, through their secure website [www.investorcentre.co.uk](http://www.investorcentre.co.uk), or by telephone on 0370 707 1163. Shareholders who have already opted to have their dividends reinvested do not need to reapply. The last date for registering for this service for the forthcoming dividend is 29 November 2023.

## Share price

The Company's mid-market ordinary share price is quoted daily in The Financial Times and The Times under 'Investment Companies' and in The Daily Telegraph under 'Investment Trusts'. The share price is also available on the BlackRock website at [www.blackrock.com/uk/brge](http://www.blackrock.com/uk/brge).

## ISIN/SEDOL numbers

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

	<b>Ordinary shares</b>
ISIN	GB00B01RDH75
SEDOL	B01RDH7
Reuters Code	BRGE.L
Bloomberg Code	BRGE LN

## Dividend tax allowance

The annual tax-free allowance on dividend income across an individual's entire share portfolio is currently £1,000. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances.



The Company will continue to provide registered shareholders with confirmation of the dividends paid and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is a shareholder's responsibility to include all dividend income when calculating any tax liability.

If you have any tax queries, please contact a financial advisor.

## Share dealing

Investors wishing to purchase more shares in the Company or sell all or part of their existing holding may do so through a stockbroker. Most banks also offer this service. Alternatively, please go to [www.computershare.com/dealing/uk](http://www.computershare.com/dealing/uk) for a range of dealing services made available by Computershare.

## CREST

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

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

## Risk factors

- Past performance is not necessarily a guide to future performance.
- The value of your investment in the Company and the income from it can fluctuate as the value of the underlying investments fluctuate.
- The price at which the Company's shares trade on the London Stock Exchange is not the same as their net asset value (NAV) (although they are related) and therefore you may realise returns which are lower or higher than NAV performance.

## Electronic communications

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

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

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

## Electronic proxy voting

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

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

## Nominee code

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

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance; and
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available.

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

# Shareholder information

continued

## Publication of net asset value/portfolio analysis

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

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

## Individual Savings Account (ISA)

ISAs are a tax-efficient method of investment and the Company's shares are eligible investments for inclusion within stocks and shares Individual Savings Accounts. In the 2023/2024 tax year investors have an annual ISA allowance of £20,000 (2022/2023: £20,000) which can be invested in either cash or shares.

## Online access

Other details about the Company are available on the website at [www.blackrock.com/uk/brge](http://www.blackrock.com/uk/brge). The financial statements and other literature are published on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

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

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

## Shareholder enquiries

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

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

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

## General enquiries

Enquiries about the Company should be directed to:

The Company Secretary  
BlackRock Greater Europe Investment Trust plc  
12 Throgmorton Avenue  
London EC2N 2DL  
Telephone: 020 7743 3000  
Email: [cosec@blackrock.com](mailto:cosec@blackrock.com)

# Analysis of ordinary shareholders

as at 31 August 2023

## By type of holder

	Number of shares <sup>1</sup>	% of total 2023	% of total 2022	Number of holders	% of total 2023	% of total 2022
Direct private investors	22,061,514	21.8	22.8	6,588	94.8	95.0
Banks and nominee companies	77,921,074	77.2	76.2	290	4.2	4.1
Others	1,017,573	1.0	1.0	71	1.0	0.9
	<b>101,000,161</b>	<b>100.0</b>	<b>100.0</b>	<b>6,949</b>	<b>100.0</b>	<b>100.0</b>

## By size of holding

	Number of shares <sup>1</sup>	% of total 2023	% of total 2022	Number of holders	% of total 2023	% of total 2022
1-5,000	10,377,991	10.3	10.6	5,533	79.6	79.5
5,001-100,000	16,330,107	16.1	16.6	1,333	19.2	19.3
100,001-1,000,000	21,287,205	21.1	20.5	67	0.9	1.0
1,000,001-5,000,000	28,868,207	28.6	27.8	13	0.2	0.2
Over 5,000,000	24,136,651	23.9	24.5	3	0.1	0.0
	<b>101,000,161</b>	<b>100.0</b>	<b>100.0</b>	<b>6,949</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Excludes treasury shares of 16,928,777.

# Historical record

Year ended 31 August	Ordinary shares in issue ex. Treasury	Treasury shares	Net assets attributable to ordinary shareholders	Net asset value per ordinary share – undiluted	Ordinary share price	Revenue attributable to ordinary shareholders	Revenue earnings per share	Dividend per share
			£'000	p	p	£'000	p	p
2006	130,238,932	3,466,164	206,273	158.38	151.00	3,396	2.53	2.00
2007	119,843,969	4,885,076	221,331	184.68	179.00	3,823	3.06	2.40
2008	112,388,958	2,728,833	191,040	169.98	156.75	4,308	3.73	3.00
2009	105,124,598	1,696,092	172,713	164.29	153.75	3,519	3.26	3.15
2010	99,042,423	2,642,046	174,375	176.06	159.25	3,194	3.13	3.30
2011	95,859,314	1,739,788	178,535	186.25	181.00	6,581	6.77	3.50 <sup>1</sup>
2012	119,793,123	4,760,637	223,041	186.19	175.00	5,984	5.52	4.20
2013	108,719,211	5,718,353	254,941	234.49	228.75	7,295	6.32	4.50 <sup>2</sup>
2014	108,828,058	5,429,676	258,987	237.98	228.50	4,964	4.59	4.70
2015	104,309,663	5,488,898	261,459	250.66	244.00	5,609	5.28	5.00
2016	102,603,113	7,725,825	294,908	287.43	272.00	5,782	5.60	5.30
2017	95,295,953	15,032,985	330,727	347.05	328.00	5,172	5.33	5.45
2018	86,459,691	23,869,247	330,419	382.17	363.00	5,347	5.95	5.75
2019	84,713,101	25,615,837	338,442	399.52	385.00	4,160	4.87	5.85
2020	84,323,101	26,005,837	387,861	459.97	447.00	5,776	6.85	6.15
2021	96,055,411	17,573,527	651,731	678.49	692.00	3,595	4.13	6.30
2022	101,698,853	16,230,085	483,799	475.72	456.00	7,728	7.65	6.60
<b>2023</b>	<b>101,000,161</b>	<b>16,928,777</b>	<b>565,710</b>	<b>560.11</b>	<b>527.00</b>	<b>6,920</b>	<b>6.85</b>	<b>6.75</b>

<sup>1</sup> Excluding a special dividend of 2.50p per share.

<sup>2</sup> Excluding a special dividend of 1.00p per share.

# Management and other service providers

## Registered Office

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

## Investment Manager and Secretary

BlackRock Investment Management (UK) Limited<sup>1</sup>  
12 Throgmorton Avenue  
London EC2N 2DL  
Telephone: 020 7743 3000  
Email: [cosec@blackrock.com](mailto:cosec@blackrock.com)

## Alternative Investment Fund Manager

BlackRock Fund Managers Limited<sup>1</sup>  
12 Throgmorton Avenue  
London EC2N 2DL

## Depositary, Custodian, Banker and Fund Accountant

The Bank of New York Mellon (International) Limited<sup>1</sup>  
160 Queen Victoria Street  
London EC4V 4LA

## Registrar

Computershare Investor Services PLC<sup>1</sup>  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ  
Telephone: 0370 707 1163

## Auditor

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

## Stockbrokers

Cavendish Securities plc<sup>1</sup>  
One Bartholomew Close  
London EC1A 7BL

## Solicitors

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

<sup>1</sup> Authorised and regulated by the Financial Conduct Authority.

# AIFM Report on Remuneration

## Remuneration related disclosures in accordance with Article 22(2) of the AIFMD, Article 107 of the AIFMD Regulations and Section XIII of the ESMA Guidelines on sound remuneration policies under the AIFMD

The below disclosures are made in respect of the remuneration policies of the BlackRock group (BlackRock), as they apply to BlackRock Fund Managers Limited (the Manager). The disclosures are made in accordance with the provisions in the UK implementing the Alternative Investment Fund Managers Directive (the AIFMD), the European Commission Delegated Regulation supplementing the AIFMD (the Delegated Regulation) and the Guidelines on sound remuneration policies under the AIFMD issued by the European Securities and Markets Authority.

The BlackRock AIFM Remuneration Policy (the AIFM Remuneration Policy) will apply to the EEA entities within the BlackRock group authorised as a manager of alternative investment funds in accordance with the AIFMD, and will ensure compliance with the requirements of Annex II of the AIFMD and to UK entities within the BlackRock group authorised as a manager of a UK alternative investment fund in accordance with the UK version of the Directive.

The Manager has adopted the AIFM Remuneration Policy, a summary of which is set out below.

### Remuneration Governance

BlackRock's remuneration governance in EMEA operates as a tiered structure which includes: (a) the Management Development and Compensation Committee (MDCC) (which is the global, independent remuneration committee for BlackRock, Inc. and (b) the Manager's board of directors (the Manager's Board). These bodies are responsible for the determination of BlackRock's remuneration policies which includes reviewing the remuneration policy on a regular basis and being responsible for its implementation.

The implementation of the remuneration policy is annually subject to central and independent review for compliance with policies and procedures for remuneration adopted by the MDCC and by the Manager's Board. The remuneration disclosure is produced and owned by MDCC and the Manager's Board.

#### (a) MDCC

The MDCC's purposes include:

- providing oversight of:
  - BlackRock's executive compensation programmes;
  - BlackRock's employee benefit plans; and
  - such other compensation plans as may be established by BlackRock from time to time for which the MDCC is deemed as administrator;
- reviewing and discussing the compensation discussion and analysis included in the BlackRock, Inc. annual proxy statement with management and approving the MDCC's report for inclusion in the proxy statement;
- reviewing, assessing and making reports and recommendations to the BlackRock, Inc. Board of Directors (the 'BlackRock, Inc. Board') as appropriate on BlackRock's talent development and succession planning, with the emphasis on performance and succession at the highest management levels; and
- supporting the boards of the Company's EMEA regulated entities in meeting their remuneration-related obligations by overseeing the design and implementation of EMEA remuneration policy in accordance with applicable regulations.

The MDCC directly retains its own independent compensation consultant, Semler Brossy Consulting Group LLC, who has no relationship with BlackRock Inc. or the BlackRock, Inc. Board that would interfere with its ability to provide independent advice to the MDCC on compensation matters.

The BlackRock, Inc. Board has determined that all of the members of the MDCC are "independent" within the meaning of the listing standards of the New York Stock Exchange (NYSE), which requires each meet a "non-employee director" standard.

The MDCC held 7 meetings during 2022. The MDCC charter is available on BlackRock, Inc.'s website ([www.blackrock.com](http://www.blackrock.com)).



**(b) The Manager's Board**

The Manager's Board has the task of supervising and providing oversight of the AIFM Remuneration Policy as it applies to the Manager and its Identified Staff.

**Decision-making process**

Remuneration decisions for employees are made once annually in January following the end of the performance year. This timing allows full-year financial results to be considered along with other non-financial goals and objectives. Although the framework for remuneration decision-making is tied to financial performance, significant discretion is used to determine individual variable remuneration based on achievement of strategic and operating results and other considerations such as management and leadership capabilities.

No set formulas are established and no fixed benchmarks are used in determining annual incentive awards. In determining specific individual remuneration amounts, a number of factors are considered including non-financial goals and objectives and overall financial and investment performance. These results are viewed in the aggregate without any specific weighting, and there is no direct correlation between any particular performance measure and the resulting annual incentive award. The variable remuneration awarded to any individual(s) for a particular performance year may also be zero.

Annual incentive awards are paid from a bonus pool.

The size of the projected bonus pool, including cash and equity awards, is reviewed throughout the year by the MDCC and the final total bonus pool is approved after year end. As part of this review, the MDCC receives actual and projected financial information over the course of the year as well as final year-end information. The financial information that the MDCC receives and considers includes the current year projected income statement and other financial measures compared with prior year results and the current year budget. The MDCC additionally reviews other metrics of BlackRock's financial performance (e.g., net inflows of AUM and investment performance) as well as information regarding market conditions and competitive compensation levels.

The MDCC regularly considers management's recommendation as to the percentage of pre-incentive operating income that will be accrued and reflected as a compensation expense throughout the year for the cash portion of the total annual bonus pool (the accrual rate). The accrual rate of the cash portion of the total annual bonus pool may be modified by the MDCC during the year based on its review of the financial information described above. The MDCC does not apply any particular weighting or formula to the information it considers when determining the size of the total bonus pool or the accruals made for the cash portion of the total bonus pool.

Following the end of the performance year, the MDCC approves the final bonus pool amount.

As part of the year-end review process the Enterprise Risk and Regulatory Compliance departments report to the MDCC on any activities, incidents or events that warrant consideration in making compensation decisions.

Individuals are not involved in setting their own remuneration.

**Control functions**

Each of the control functions (Enterprise Risk, Legal & Compliance, and Internal Audit) has its own organisational structure which is independent of the business units and therefore staff members in control functions are remunerated independently of the businesses they oversee. The head of each control function is either a member of the Global Executive Committee (GEC), the global management committee, or has a reporting obligation to the board of directors of BlackRock Group Limited, the parent company of all of BlackRock's EMEA regulated entities, including the Manager.

Functional bonus pools are determined with reference to the performance of each individual function. The remuneration of the senior members of control functions is directly overseen by the MDCC.

**Link between pay and performance**

There is a clear and well defined pay-for-performance philosophy and compensation programmes which are designed to meet the following key objectives as detailed below:

- appropriately balance BlackRock's financial results between shareholders and employees;
- attract, retain and motivate employees capable of making significant contributions to the long-term success of the business;

# AIFM Report on Remuneration

continued

- align the interests of senior employees with those of shareholders by awarding BlackRock Inc.'s stock as a significant part of both annual and long-term incentive awards;
- control fixed costs by ensuring that compensation expense varies with profitability;
- link a significant portion of an employee's total compensation to the financial and operational performance of the business;
- promote sound and effective risk management across all risk categories, including sustainability risk;
- discourage excessive risk-taking (sustainability related or otherwise); and
- ensure that client interests are not negatively impacted by remuneration awarded on a short-term, mid-term and/or long-term basis.

Driving a high-performance culture is dependent on the ability to measure performance against objectives, values and behaviours in a clear and consistent way. Managers use a 5-point rating scale to provide an overall assessment of an employee's performance, and employees also provide a self-evaluation. The overall, final rating is reconciled during each employee's performance appraisal. Employees are assessed on the manner in which performance is attained as well as the absolute performance itself.

In keeping with the pay-for-performance philosophy, ratings are used to differentiate and reward individual performance – but don't pre-determine compensation outcomes. Compensation decisions remain discretionary and are made as part of the year-end compensation process.

When setting remuneration levels other factors are considered, as well as individual performance, which may include:

- the performance of the Manager, the funds managed by the Manager and/or the relevant functional department;
- factors relevant to an employee individually; relationships with clients and colleagues; teamwork; skills; any conduct issues; and, subject to any applicable policy, the impact that any relevant leave of absence may have on contribution to the business;
- the management of risk within the risk profiles appropriate for BlackRock's clients;
- strategic business needs, including intentions regarding retention;
- market intelligence;
- criticality to business; and
- supporting the firm's approaches to environmental, social and governance factors and diversity, equity and inclusion.

A primary product tool is risk management and, while employees are compensated for strong performance in their management of client assets, they are required to manage risk within the risk profiles appropriate for their clients. Therefore, employees are not rewarded for engaging in high-risk transactions outside of established parameters. Remuneration practices do not provide undue incentives for short-term planning or short-term financial rewards, do not reward unreasonable risk and provide a reasonable balance between the many and substantial risks inherent within the business of investment management, risk management and advisory services.

BlackRock operates a total compensation model for remuneration which includes a base salary, which is contractual, and a discretionary bonus scheme.

BlackRock operates an annual discretionary bonus scheme. Although all employees are eligible to be considered for a discretionary bonus, there is no contractual obligation to make any award to an employee under its discretionary bonus scheme. In exercising discretion to award a discretionary bonus, the factors listed above (under the heading "Link between pay and performance") may be taken into account in addition to any other matters which become relevant to the exercise of discretion in the course of the performance year.

Discretionary bonus awards for all employees, including executive officers, are subject to a guideline that determines the portion paid in cash and the portion paid in BlackRock, Inc. stock and subject to additional vesting/clawback conditions. Stock awards are subject to further performance adjustment through variation in BlackRock, Inc.'s share price over the vesting period. As total annual compensation increases, a greater portion is deferred into stock. The MDCC adopted this approach in 2006 to substantially increase the retention value and shareholder alignment of the compensation package for eligible employees, including the executive officers. The portion deferred into stock vests into three equal instalments over the three years following grant.

Supplementary to the annual discretionary bonus as described above, equity awards may be made to select individuals to provide greater linkage with future business results. These long-term incentive awards have been established individually to provide meaningful incentive for continued performance over a multi-year period recognising the scope of the individual's role, business expertise and leadership skills.

Selected senior leaders are eligible to receive performance-adjusted equity-based awards from the "BlackRock Performance Incentive Plan" (BPIP). Awards made from the BPIP have a three-year performance period based on a measurement of As Adjusted Operating Margin<sup>1</sup> and Organic Revenue Growth<sup>2</sup>. Determination of pay-out will be made based on the firm's achievement relative to target financial results at the conclusion of the performance period. The maximum number of shares that can be earned is 165% of the award in those situations where both metrics achieve pre-determined financial targets. No shares will be earned where the firm's financial performance in both of the above metrics is below a pre-determined performance threshold. These metrics have been selected as key measures of shareholder value which endure across market cycles.

A limited number of investment professionals have a portion of their annual discretionary bonus (as described above) awarded as deferred cash that notionally tracks investment in selected products managed by the employee. The intention of these awards is to align investment professionals with the investment returns of the products they manage through the deferral of compensation into those products. Clients and external evaluators have increasingly viewed more favourably those products where key investors have "skin in the game" through significant personal investments.

### **Identified Staff**

The AIFM Remuneration Policy sets out the process that will be applied to identify staff as Identified Staff, being categories of staff of the Manager, including senior management, risk takers, control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the risk profiles of the Manager or of the funds it manages.

The list of Identified Staff will be subject to regular review, being formally reviewed in the event of, but not limited to:

- organisational changes;
- new business initiatives;
- changes in significant influence function lists;
- changes in role responsibilities; and
- revised regulatory direction.

### **Quantitative Remuneration Disclosure**

The Manager is required under the AIFMD to make quantitative disclosures of remuneration. These disclosures are made in line with BlackRock's interpretation of currently available regulatory guidance on quantitative remuneration disclosures. As market or regulatory practice develops BlackRock may consider it appropriate to make changes to the way in which quantitative remuneration disclosures are calculated. Where such changes are made, this may result in disclosures in relation to a fund not being comparable to the disclosures made in the prior year, or in relation to other BlackRock fund disclosures in that same year.

<sup>1</sup> As Adjusted Operating Margin: As reported in BlackRock's external filings, reflects adjusted Operating Income divided by Total Revenue net of distribution and servicing expenses and amortisation of deferred sales commissions.

<sup>2</sup> Organic Revenue Growth: Equal to net new base fees plus net new Aladdin revenue generated in the year (in dollars).

# AIFM Report on Remuneration

continued

Disclosures are provided in relation to (a) the staff of the Manager; (b) staff who are senior management; and (c) staff who have the ability to materially affect the risk profile of the Company, including individuals who, although not directly employed by the Manager, are assigned by their employer to carry out services directly for the Manager.

All individuals included in the aggregated figures disclosed are rewarded in line with BlackRock's remuneration policy for their responsibilities across the relevant BlackRock business area. As all individuals have a number of areas of responsibilities, only the portion of remuneration for those individuals' services attributable to the Manager is included in the aggregate figures disclosed.

Members of staff and senior management of the Manager typically provide both AIFMD and non-AIFMD related services in respect of multiple funds, clients and functions of the Manager and across the broader BlackRock group. Conversely, members of staff and senior management of the broader BlackRock group may provide both AIFMD and non-AIFMD related services in respect of multiple funds, clients and functions of the broader BlackRock group and of the Manager. Therefore, the figures disclosed are a sum of individuals' portion of remuneration attributable to the Manager according to an objective apportionment methodology which acknowledges the multiple-service nature of the Manager. Accordingly the figures are not representative of any individual's actual remuneration or their remuneration structure.

The amount of the total remuneration awarded to the Manager's staff in respect of the Manager's financial year ending 31 December 2022 is USD 194.5 million. This figure is comprised of fixed remuneration of USD 109.3 million and variable remuneration of USD 85.3 million. There were a total of 3,790 beneficiaries of the remuneration described above.

The amount of the aggregate remuneration awarded by the Manager, which has been attributed to the Manager's AIFMD-related business in respect of the Manager's financial year ending 31 December 2022, to its senior management was USD 21.6 million, and to other members of its staff whose actions potentially have a material impact on the risk profile of the Manager or its funds was USD 8.8 million. These figures relate to the entire Manager and not to the Company.

# Other AIFMD disclosures

## Report on remuneration

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

Details of the BlackRock AIFM Remuneration Policy are disclosed on the previous pages and became applicable to the Manager on 1 January 2015, being the beginning of the first financial year of BlackRock following the Manager's authorisation as an AIFM.

## Quantitative remuneration disclosure

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

## Leverage

The Company may employ leverage and borrow cash in accordance with its stated investment policy or investment strategy. Consistent with its investment objective and policy, the Company may also utilise derivative instruments as part of its investment policy.

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

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

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

	Commitment leverage as at 31 August 2023	Gross leverage as at 31 August 2023
Leverage ratio	1.10	1.10

## Other risk disclosures

The financial risk disclosures relating to risk framework and liquidity risk are set out in note 16 of the notes to the Financial Statements on pages 98 to 104.

## Pre investment disclosures

The AIFMD requires certain information to be made available to investors in Alternative Investment Funds (AIFs) before they invest and requires that material changes to this information be disclosed in the Annual Report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the website at [www.blackrock.com/uk/brge](http://www.blackrock.com/uk/brge).

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

## CAROLINE DRISCOLL

For and on behalf of  
BlackRock Investment Management (UK) Limited  
Company Secretary  
7 November 2023

# Information to be disclosed in accordance with Listing Rule 9.8.4

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

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

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

9.8.4 (3) This provision has been deleted.

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

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

9.8.4 (7) The Company has not allotted any equity securities for cash in the period under review.

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

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

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

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

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

For and on behalf of the Board

## **CAROLINE DRISCOLL**

For and on behalf of  
BlackRock Investment Management (UK) Limited  
Company Secretary  
7 November 2023



# Letter from the outgoing auditor



Ernst & Young LLP  
25 Churchill Place  
Canary Wharf  
London  
E14 5EY

Tel: +44 20 7951 2000  
Fax: +44 20 7951 1345  
ey.com

The Directors  
BlackRock Greater Europe Investment Trust plc  
12 Throgmorton Avenue  
London  
EC2N 2DL

18 September 2023

Ref: MP/AC

Direct line: 020 7951 2223

Email: [mprice1@uk.ey.com](mailto:mprice1@uk.ey.com)

Dear Directors,

## **BlackRock Greater Europe Investment Trust plc (the "Company") Company Registered Number: 05142459**

In accordance with section 516 of the Companies Act 2006 (the "Act"), we write to notify you that we are ceasing to hold office as auditor of the Company. This takes effect on 12 December 2023.

In accordance with section 519(1) of the Act, we are ceasing to hold office because we are required to do so under the mandatory firm rotation rules.

We are required to send a copy of this statement to the appropriate audit authority in accordance with section 522 of the Act, and send a copy to the registrar in accordance with section 521 of the Act. We draw your attention to the fact that the Company has its own statutory obligations where an auditor has ceased to hold office (as detailed, in particular, in sections 520 and 523 of the Act).

If you have any questions in respect of your legal obligations, we recommend that you seek independent legal advice.

Yours faithfully

Ernst & Young LLP  
ICAEW Registration Number - C009126168

# Depository report



The Bank of New York Mellon  
(International) Limited  
160 Queen Victoria Street  
London EC4V 4LA

T +44 (0)20 7570 1784

26 September 2023

**To the Board of Directors  
BlackRock Greater Europe Investment Trust Plc  
12 Throgmorton Avenue,  
London  
EC2N 2DL**

Dear Sir/Madam,

Re: BlackRock Greater Europe Investment Trust Plc ('the Entity')

Statement of the Depository's Responsibilities in Respect of the Scheme and Report of the Depository to the Shareholders of the BlackRock Greater Europe Investment Trust Plc ("the Company") for the Period Ended 31 August 2023.

The Depository must ensure that the Company is managed in accordance with the Financial Conduct Authority's Investment Funds Sourcebook, ("the Sourcebook"), the Alternative Investment Fund Managers Directive ("AIFMD") (together "the Regulations") and the Company's Articles of Association.

The Depository must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depository is responsible for the safekeeping of the assets of the Company in accordance with the Regulations.

The Depository must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the assets under management and the net asset value per share of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- that the Company's income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager ("the AIFM") are carried out (unless they conflict with the Regulations).

The Depository also has a duty to take reasonable care to ensure that Company is managed in accordance with the Articles of Association in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depository of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AIFM has been managed in accordance with the rules in the Sourcebook, the Articles of Association of the Company and as required by the AIFMD.

The Bank of New York Mellon (International) Limited is registered in England & Wales with Company 3236121 with its Registered Office at 160 Queen Victoria Street London EC4V 4LA. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

# Glossary

## Alternative Performance Measure (APM)

An APM is a measure of performance or financial position that is not defined in applicable accounting standards and cannot be directly derived from the financial statements.

The Company's APMs are set out below and are cross-referenced where relevant to the financial inputs used to derive them as contained in other sections of the Annual Report and Financial Statements.

## Closed-end company

An investment trust works along the same lines as a unit trust, in that it pools money from investors which is then managed on a collective basis. The main difference is that an investment trust is a company listed on the Stock Exchange and, in most cases, trading takes place in shares which have already been issued, rather than through the creation or redemption of units. As the number of shares which can be issued or cancelled at any one time is limited, and requires the approval of existing shareholders, investment trusts are known as closed-end funds or companies. This means that investment trusts are not subject to the same liquidity constraints as open-ended funds and can therefore invest in less liquid investments.

## Discount and premium\*

Investment trust shares can frequently trade at a discount to NAV. This occurs when the share price (based on the mid-market share price) is less than the NAV and investors may therefore buy shares at less than the value attributable to them by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV.

As at 31 August 2023, the share price was 527.00p (31 August 2022: 456.00p) and the NAV was 560.11p (31 August 2022: 475.72p); therefore the discount was 5.9% (31 August 2022: 4.1%) (please see note 9 of the financial statements on page 94 for the inputs to the calculation).

A premium occurs when the share price (based on the mid-market share price) is more than the NAV and investors would therefore be paying more than the value attributable to the shares by reference to the underlying assets. For example, if the share price was 520.00p and the NAV was 515.00p, the premium would be 1.0%.

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

## Gearing and borrowings\*

Investment companies can borrow to purchase additional investments. This is called 'gearing'. It allows investment companies to take advantage of a favourable situation or a particularly attractive stock without having to sell existing investments.

Gearing works by magnifying the Company's performance. If a company 'gears up' and then markets rise and the returns on the investments outstrip the costs of borrowing, the overall returns to investors will be even greater. But if markets fall and the performance of the assets in the portfolio is poor, then losses suffered by the investor will also be magnified.

The Company may achieve gearing through borrowings or the effect of gearing through an appropriate balance of equity capital and borrowings.

Gearing is calculated in line with AIC guidelines and represents net gearing. This is defined as total assets of the Company less current liabilities (excluding bank overdrafts), less any cash or cash equivalents held minus total shareholders' funds, divided by total shareholders' funds. Cash and cash equivalents are defined by the AIC as net current assets or net current liabilities (as relevant). To the extent that the Company has net current liabilities, the net current liabilities total is added back to the total assets of the Company to calculate the numerator in this equation. The calculation and the various inputs are set out in the following table.

\* Alternative Performance Measure.

# Glossary

continued

<b>Net gearing calculation</b>	<b>Page</b>	<b>31 August 2023 £'000</b>	<b>31 August 2022 £'000</b>	
Net assets	85	565,710	483,799	(a)
Borrowings	85	27,617	182	(b)
Total assets (a + b)		593,327	483,981	(c)
Current assets <sup>1</sup>	85	3,867	9,487	(d)
Current liabilities (excluding borrowings)	85	(5,267)	(3,322)	(e)
Net current assets/(liabilities) (d + e)		(1,400)	6,165	(f)
<b>Net gearing (g = (c - f - a)/a) (%)</b>		<b>5.1</b>	<b>nil</b>	<b>(g)</b>

<sup>1</sup> Includes cash at bank.

The audited inputs for this calculation can be found in the Balance Sheet in the Financial Statements.

## Leverage

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

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

$$\text{Leverage ratio} = \frac{\text{Total assets}}{\text{Net assets}}$$

The Directive sets out two methodologies for calculating exposure. These are the Gross Method and the Commitment Method. The treatment of cash and cash equivalent balances in terms of calculating what constitutes an 'exposure' under AIFMD differs for these two methods. The definitions for calculating the Gross Method exposures require that "the value of any cash and cash equivalents which are highly liquid investments held in the base currency of the AIF, that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three-month high quality government bond" should be excluded from exposure calculations.

## Net asset value per share (Capital only NAV)\*

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

As at 31 August 2023, equity shareholders' funds less the current year net revenue return (after interim dividends) amounted to £560,558,000 (31 August 2022: £477,861,000) and there were 101,000,161 (31 August 2022: 101,698,853) ordinary shares in issue (excluding treasury shares); therefore the capital only NAV was 555.01p (31 August 2022: 469.88p).

Equity shareholders' funds (excluding current period revenue) of £560,558,000 (31 August 2022: £477,861,000) are calculated by deducting from the Company's net assets £565,710,000 (31 August 2022: £483,799,000) its current period revenue £6,920,000 (31 August 2022: £7,728,000) and adding back the interim dividends £1,768,000 (31 August 2022: £1,790,000).

\* Alternative Performance Measure.

### Net asset value per share (Cum income NAV)

This is the value of the Company's assets attributable to one ordinary share. It is calculated by dividing "equity shareholders' funds" by the total number of ordinary shares in issue (excluding treasury shares). For example, as at 31 August 2023, equity shareholders' funds were worth £565,710,000 (31 August 2022: £483,799,000) and there were 101,000,161 (31 August 2022: 101,698,853) ordinary shares in issue (excluding treasury shares); the undiluted NAV was therefore 560.11p (31 August 2022: 475.72p) per ordinary share (please see note 9 of the financial statements for the audited inputs to the calculations).

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

### NAV and share price return (Return with dividends reinvested)\*

Performance statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. The performance measures the combined effect of any dividends paid, together with the rise or fall in the share price or NAV. This is calculated by the movement in the share price or NAV plus the dividends paid by the Company assuming these are reinvested in the Company at the prevailing NAV/share price (please see note 9 of the financial statements for the inputs to the calculations).

<b>NAV total return</b>	<b>Page</b>	<b>31 August 2023</b>	<b>31 August 2022</b>	
Closing NAV per share (pence)	94	560.11	475.72	
Add back interim and final dividends (pence)	93	6.60	6.30	
Effect of dividend reinvestment (pence)		0.55	(1.46)	
Adjusted closing NAV (pence)		567.26	480.56	(a)
Opening NAV per share (pence)	94	475.72	678.49	(b)
<b>NAV performance (c = ((a - b)/b)) (%)</b>		<b>19.2</b>	<b>(29.2)</b>	<b>(c)</b>

<b>Share total return</b>	<b>Page</b>	<b>31 August 2023</b>	<b>31 August 2022</b>	
Closing share price (pence)	94	527.00	456.00	
Add back interim and final dividends (pence)	93	6.60	6.30	
Effect of dividend reinvestment (pence)		0.50	(1.56)	
Adjusted closing share price (pence)		534.10	460.74	(a)
Opening share price (pence)	94	456.00	692.00	(b)
<b>Share price performance (c = ((a - b)/b)) (%)</b>		<b>17.1</b>	<b>(33.4)</b>	<b>(c)</b>

\* Alternative Performance Measure.

# Glossary

continued

## Ongoing charges ratio\*

$$\text{Ongoing charges (\%)} = \frac{\text{Annualised ongoing charges}}{\text{Average daily undiluted net asset value in the period}}$$

Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs and include the annual management charge.

As recommended by the AIC in its guidance, ongoing charges are the Company's management fee and all other operating expenses (excluding finance costs, direct transaction costs, custody transaction charges, VAT recovered, taxation, prior year expenses written back and certain non-recurring items) expressed as a percentage of the average daily net assets of the Company during the year.

The inputs that have been used to calculate the ongoing charges percentage are set out in the following table:

Ongoing charges calculation	Page	31 August 2023 £'000	31 August 2022 £'000	
Management fee	90	4,442	4,884	
Other operating expenses <sup>1</sup>	91	813	749	
Total management fee and other operating expenses		5,255	5,633	(a)
Average daily net assets in the year		537,913	576,678	(b)
<b>Ongoing charges (c = a/b) (%)</b>		<b>0.98</b>	<b>0.98</b>	<b>(c)</b>

<sup>1</sup> Excluding prior year expenses written back of £23,000 (31 August 2022: non-recurring expenses relating to legal work for the aborted issuance of a long-dated loan note of £117,000 and prior year expenses written back of £55,000).

## Quoted securities and unquoted securities

Quoted securities are securities that trade on an exchange for which there is a publicly quoted price.

Unquoted securities are financial securities that do not trade on an exchange and for which there is not a publicly quoted price.

## Revenue profit and revenue reserves

Revenue profit is the net revenue income earned after deduction of fees and expenses allocated to the revenue account and taxation suffered by the Company. The revenue reserve is the undistributed income that the Company keeps as reserves. Investment trusts do not have to distribute all the income they generate, after expenses.

They may retain up to 15% of revenue generated which will be held in a revenue reserve. This reserve can be used at a later date to supplement dividend payments to shareholders.

## Treasury shares

Treasury shares are shares that a company keeps in its own treasury which are not currently issued to the public. These shares do not pay dividends, have no voting rights and are not included in a company's total issued share capital amount for calculating percentage ownership. Treasury stock may have come from a repurchase or buy back from shareholders, or it may never have been issued to the public in the first place. Treasury shares may be reissued from treasury to the public to meet demand for a company's shares in certain circumstances.

\* Alternative Performance Measure.



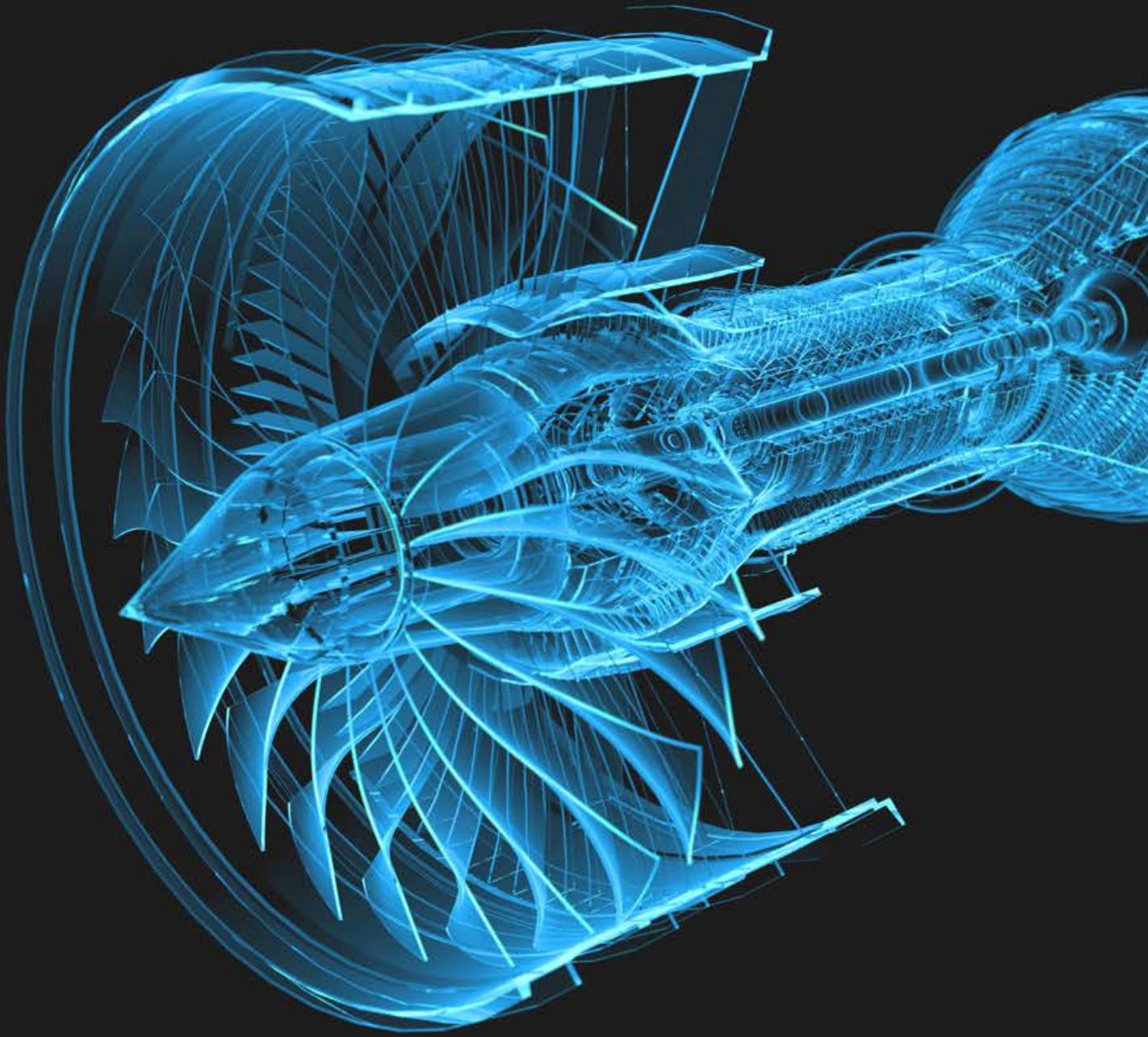
## Yield\*

The yield is the amount of cash (in percentage terms) that is returned to the owners of the security, in the form of interest or dividends received from it. Normally, it does not include the price variations, distinguishing it from performance (with dividends reinvested).

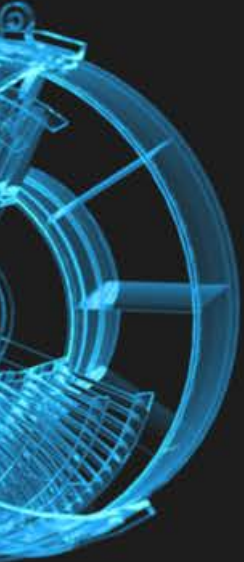
	Page	31 August 2023	31 August 2022	
Interim and final dividends paid/payable (pence) <sup>1</sup>	93	6.75	6.60	(a)
Ordinary share price (pence)		527.00	456.00	(b)
<b>Yield (c = a/b) (%)</b>		<b>1.3</b>	<b>1.4</b>	<b>(c)</b>

<sup>1</sup> Comprising dividends declared/paid for the twelve months to 31 August.

\* Alternative Performance Measure.



# Annual general meeting



← Technology consulting company Alten was another new addition to the portfolio. The firm is a beneficiary of increasing digitisation trends as companies seek to become more efficient with higher IT budgets.

# Notice of annual general meeting

Notice is hereby given that the nineteenth Annual General Meeting of BlackRock Greater Europe Investment Trust plc will be held at 12 Throgmorton Avenue, London EC2N 2DL on Tuesday, 12 December 2023 at 12.00 noon to consider and, if thought fit, pass Resolutions 1 to 11 inclusive as ordinary resolutions and Resolutions 12 to 15 as special resolutions.

More information in respect of the contribution of each Director to support their re-election is given in the Directors' Report on pages 52 and 53.

## Ordinary business

1. To receive the report of the Directors and the financial statements for the year ended 31 August 2023, together with the report of the auditor thereon.
2. To approve the Directors' Remuneration Report for the year ended 31 August 2023, excluding any content relating to the remuneration policy of the Company.
3. To approve the Directors' Remuneration Policy as set out on pages 59 and 60.
4. To declare a final dividend for the year ended 31 August 2023 of 5.00p for each ordinary share in the capital of the Company.
5. To re-elect Mr P Baxter as a Director.
6. To re-elect Mr E F Sanderson as a Director.
7. To re-elect Dr P Subacchi as a Director.
8. To re-elect Mr I R Sayers as a Director.
9. To appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company.
10. To authorise the Audit and Management Engagement Committee to determine the auditors' remuneration.

## Special business

### Ordinary resolution

11. That, in substitution for all existing authorities, the Directors of the Company be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the Act), to exercise all the powers of the Company to allot relevant securities in the Company (as described in that section) up to an aggregate nominal amount of £10,081 (being 10% of the aggregate nominal amount of the issued ordinary share capital, excluding treasury shares, of the Company at the date of this notice) provided that this authority shall (unless previously revoked) expire at the conclusion of the Company's Annual General Meeting to be held in 2024, but the Company shall be entitled to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot such securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

### Special resolutions

12. That, in substitution for all existing authorities and subject to the passing of the resolution numbered 11, the Directors of the Company be and are hereby empowered pursuant to Sections 570 and 573 of the Companies Act 2006 (the Act) to:
  - (a) allot up to 10,081,216 ordinary shares of 0.1p each in the Company (Ordinary Shares) with a maximum nominal amount of £10,081 (representing 10% of the aggregate nominal amount of the issued ordinary share capital, excluding treasury shares, of the Company at the date of this notice) at a premium to the most recently published net asset value per Ordinary Share prior to such allotment; and

- (b) resell up to 10,081,216 Ordinary Shares with a maximum nominal amount of £10,081 (representing 10% of the aggregate nominal amount of the issued ordinary share capital, excluding treasury shares, of the Company at the date of this notice) held by the Company in treasury (and, for the purposes of LR 15.4.11 R of the Listing Rules of the UK Listing Authority, such Ordinary Shares being permitted to be sold or transferred out of treasury for cash at a price which represents a premium to the most recently published net asset value per Ordinary Share prior to such sale);

in each case wholly for cash as if Section 561(1) of the Act did not apply to any such allotment or sale provided that this power shall (unless previously revoked) expire at the conclusion of the Company's Annual General Meeting to be held in 2024, but the Company shall be entitled to make offers or agreements before the expiry of this authority which would or might require Ordinary Shares to be allotted after such expiry and the Directors may allot such Ordinary Shares pursuant to any such offer or agreement as if the power conferred hereby had not expired.

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

- (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 15,111,742 or, if less, that number of Ordinary Shares which is equal to 14.99% of the Company's issued ordinary share capital (excluding treasury shares) as at 12 December 2023;
- (b) the minimum price which may be paid for any such Ordinary Share shall be 0.1p;
- (c) the maximum price which may be paid for any such Ordinary Share shall be the higher of (i) 105% of the average of the middle market quotations (as derived from the Official List) of the Ordinary Shares for the five dealing days prior to the date on which the market purchase is made and (ii) the higher of the price quoted for the last independent trade and the highest current independent bid for, any number of Shares on the trading venue where the purchase is carried out; and
- (d) unless renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2024 save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares under the authority hereby conferred and may make a purchase of Ordinary Shares pursuant to any such contract notwithstanding such expiry.

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

- (i) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act; or
- (ii) cancelled immediately upon completion of the purchase.

14. That, in addition to the authority given to the Company to purchase its own shares pursuant to the resolution numbered 13 above and in accordance with the terms and conditions of the Company's regular tender offers, the Company be and is hereby authorised in accordance with Section 701 of the Companies Act 2006 (the Act) to make market purchases (within the meaning of Section 693 of the Act) of its ordinary shares of 0.1p each (Ordinary Shares), provided that:

- (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 20,162,432 or, if less, that number of Ordinary Shares which is equal to 20% of the Ordinary Shares in issue as at 31 May 2024 (excluding any Ordinary Shares held in treasury);
- (b) the price which may be paid for an Ordinary Share shall be an amount equal to 98% of the net asset value per Ordinary Share (calculated on a fully diluted basis) as at 31 May 2024; and
- (c) the authority hereby conferred shall expire on 31 July 2024 (unless such authority is renewed prior to such time) save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after such expiry.

# Notice of annual general meeting

continued

15. That, in addition to the authority given to the Company to purchase its own shares pursuant to the resolutions numbered 13 and 14 above and in accordance with the terms and conditions of the Company's regular tender offers, the Company be and is hereby authorised in accordance with Section 701 of the Companies Act 2006 (the Act) to make market purchases (within the meaning of Section 693 of the Act) of its ordinary shares of 0.1p each (Ordinary Shares), provided that:

- (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 20,162,432 or, if less, that number of Ordinary Shares which is equal to 20% of the Ordinary Shares in issue as at 30 November 2024 (excluding any Ordinary Shares held in treasury);
- (b) the price which may be paid for an Ordinary Share shall be an amount equal to 98% of the net asset value per Ordinary Share (calculated on a fully diluted basis) as at 30 November 2024; and
- (c) the authority hereby conferred shall expire on 31 January 2025 (unless such authority is renewed prior to such time) save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after such expiry.

By order of the Board

**CAROLINE DRISCOLL**

For and on behalf of  
BlackRock Investment Management (UK) Limited  
Company Secretary  
7 November 2023

Registered Office:  
12 Throgmorton Avenue  
London EC2N 2DL



Notes:

1. A member entitled to attend and vote at the meeting convened by the above Notice is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend, speak and vote in his place. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member.
2. To appoint a proxy you may use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be completed and returned to the office of the Company's registrar in accordance with the instructions thereon as soon as possible and in any event by not later than 12.00 noon on 8 December 2023 (Saturdays, Sundays and public holidays excepted). Amended instructions must also be received by the Company's registrar by the deadline for receipt of Forms of Proxy. Alternatively, you can vote or appoint a proxy electronically by visiting [www.eproxyappointment.com](http://www.eproxyappointment.com). You will be asked to enter the Control Number, the Shareholder Reference Number and PIN which are printed on the Form of Proxy. The latest time for the submission of proxy votes electronically is 12.00 noon on 8 December 2023 (Saturdays, Sundays and public holidays excepted).
3. Proximity Voting – if you are an institutional investor you may also be able to appoint a proxy electronically via the Proximity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proximity, please go to [www.proximity.io](http://www.proximity.io). Your proxy must be lodged by 12.00 noon on 8 December 2023 (Saturdays, Sundays and public holidays excepted) in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proximity'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.
4. Completion and return of the Form of Proxy will not prevent you from attending the meeting and voting in person.
5. Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a Nominated Person) should note that the provisions in notes 1 and 2 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only ordinary shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such agreement to give instructions to the member as to the exercise of voting rights at the meeting.
6. Nominated persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy the information rights (or perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from the Nominated Person.
7. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only ordinary shareholders registered in the register of members of the Company by not later than 6.00 p.m. two days prior to the time fixed for the meeting shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at such time. If the meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is 6.00 p.m. two days prior to the time of the adjournment. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.
8. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
9. Shareholders who hold their shares electronically may submit their votes through CREST, by submitting the appropriate and authenticated CREST message so as to be received by the Company's Registrar not later than 48 hours before the start of the meeting. Instructions on how to vote through CREST can be found by accessing the following website: [www.euroclear.com/CREST](http://www.euroclear.com/CREST). Shareholders are advised that CREST and the internet are the only methods by which completed proxies can be submitted electronically.
10. If you are a CREST system user (including a CREST personal member) you can appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by Computershare (ID number 3RA50) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which Computershare is able to retrieve the message. CREST personal members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

# Notice of annual general meeting

continued

11. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interest in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure Guidance and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company, who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Guidance and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.
12. Any question relevant to the business of the meeting may be asked at the meeting by anyone permitted to speak at the meeting. A shareholder may alternatively submit a question in advance by a letter addressed to the Company Secretary at the Company's registered office. Under Section 319A of the Companies Act 2006, the Company must answer any question a shareholder asks relating to the business being dealt with at the meeting, unless (i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer had already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
14. Under Section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
  - (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are laid before the meeting; or
  - (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006.

The Company may not require the members requesting such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
15. Further information regarding the meeting which the Company is required by Section 311A of the Companies Act 2006 to publish on a website in advance of the meeting (including this Notice), can be accessed at [www.blackrock.com/uk/brge](http://www.blackrock.com/uk/brge).
16. As at 7 November 2023 (being the last practicable date prior to the publication of this Notice of Annual General Meeting), the Company's issued share capital comprised 100,812,161 ordinary shares of 0.1p each, excluding shares held in treasury. Each ordinary share carries the right to one vote and therefore the total number of voting rights in the Company as at 7 November 2023 is 100,812,161.
17. No service contracts exist between the Company and any of the Directors, who hold office in accordance with letters of appointment and the Articles of Association.

# Share fraud warning

Be ScamSmart



Investment scams are designed to look like genuine investments



## Spot the warning signs

Have you been:

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

If so, you might have been contacted by fraudsters.

## Avoid investment fraud

### 1 Reject cold calls

If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

### 2 Check the FCA Warning List

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

### 3 Get impartial advice

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

## Report a scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at [www.fca.org.uk/consumers](http://www.fca.org.uk/consumers). You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at [www.actionfraud.police.uk](http://www.actionfraud.police.uk)

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

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

SGN001



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