

FIDELITY EUROPEAN TRUST PLC

Final Results for the year ended 31 December 2024

Financial Highlights:

- The Board of Fidelity European Trust PLC (the “Company”) recommends a final dividend of 5.50 pence which together with the interim dividend payment of 3.60 pence per share (totalling 9.10 pence) represents an increase of 10.3% over the total dividend of 8.25 pence paid in the prior year.
- During the year ended 31 December 2024, the Company reported a net asset value (NAV) total return of +0.5% while the Benchmark Index, the FTSE World Europe ex UK Index, rose by +3.0%.
- Over the same period, the ordinary share price total return of the Company was -0.1%.
- The Portfolio Managers remain focused on identifying attractively valued companies which will deliver consistent dividend growth over the long-term.

Contacts

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CHAIRMAN’S STATEMENT

2024 was a busy year on the political stage, with more than half the world’s population going to the polls. But while UK investors’ attention may primarily have been caught by the elections at home and in the US, in Europe the picture has been just as fractious, with right-wing populists agitating for change in the key economies of France and Germany, as well as making gains in the European parliament. Despite this uncertain backdrop, shares in European companies broadly advanced, underpinned by trends such as the growth in artificial intelligence, defence spending in an environment of continued geopolitical tension, and the green energy transition. With inflation moderating across the developed world, the European Central Bank cut interest rates four times between June and December, with further easing expected in the year ahead.

As I discuss below, following seven years of outperformance up to and including 2023, your Portfolio Managers, Sam Morse and Marcel Stötzel, had a trickier time in 2024. The core of their investment philosophy lies in finding attractively valued companies with strong balance sheets, business franchises and dividend growth, which are not overly at risk from external factors such as the macroeconomic or geopolitical backdrop. With the economy and geopolitics both at the front of investors’ minds, the market narrative did not favour your Portfolio Managers’ bottom-up stock picking approach. However, Sam and Marcel remain dedicated to well-financed, globally relevant businesses with good pricing power; these factors should stand such companies in good stead over the longer-term and offer some insulation from the vagaries of politics and the economy. You can read more about their experiences in 2024 in the Portfolio Managers’ Review which follows this report.

PERFORMANCE

Shareholders who attended the AGM in May 2024 may recall my observation that seven years of outperformance was unusual, cautioning that even the best fund managers underperform from time to time. These words unfortunately turned out to be prescient, as the Company did underperform its Benchmark Index (the FTSE World Europe ex UK Index) in the year under review, with a NAV total return of +0.5% compared with a total return of +3.0% for the Benchmark Index. The share price total return was –0.1%, reflecting a very slight widening in the discount to NAV from 7.3% at the start of the year to just below 8.0% at the year end. Underperformance, however inevitable it may be from time to time, is always disappointing, but perhaps some small comfort can be taken from the fact that your Company beat the average return of its peers in the Association of Investment Companies’ Europe sector in both NAV and share price terms, as well as trading at a narrower discount than their average.

The longer-term performance record remains solid despite the underperformance in 2024. Your Company has outperformed the Benchmark Index and the peer group over three, five and 10 years, as well as since Sam Morse’s appointment as your Portfolio Manager in 2011, generating annualised NAV and share price total returns of 10.0% and 11.1% respectively over Sam’s tenure to date, compared with 7.8% for the Benchmark Index. I am delighted to report that the Company’s longer-term performance was also recognised externally in the year under review, winning the AJ Bell Investment Award in the European Equity – Active category (which assesses open-ended funds as well as investment trusts), the Citywire Investment Trust Award for best European trust and the Investment Company of the Year Award from Investment Week in the Europe category.

DIVIDENDS

As part of their investment process, your Portfolio Managers focus on companies that are capable of growing their dividends over time. The Board does not impose any income objective in any particular year, recognising that both capital and income growth are components of performance, as reflected in the investment objective of the Company. We do, however, have a policy whereby we seek to deliver a progressive dividend in normal circumstances, paid twice yearly in order to smooth dividend payments for the reporting year. Unlike open-ended funds such as OEICs, investment trusts can hold back some of the income they receive in good years, thereby building up revenue reserves that can then be used to supplement dividends during challenging times.

The Company’s revenue return for the year to 31 December 2024 was 10.41 pence per ordinary share (2023: 9.32 pence), and an interim dividend of 3.60 pence per share was paid on 25 October 2024 (2023: 3.26 pence). The Board is pleased to recommend a final dividend of 5.50 pence for the year ended 31 December 2024 (2023: 4.99 pence) for approval by shareholders at the Annual General Meeting (“AGM”) on 8 May 2025. The interim and final dividends (total of 9.10 pence) represent an increase of 0.85 pence (10.3%) over the 8.25 pence paid for the year ended 31 December 2023, and a 13th consecutive annual increase in the full year dividend.

The final dividend will be paid on 13 May 2025 to shareholders on the register at close of business on 28 March 2025 (ex-dividend date 27 March 2025). Shareholders may choose to reinvest their dividends for additional shares in the Company.

OUTLOOK

Core Europe, particularly France and Germany, has well recognised political and economic problems, but the leading companies of the region are global in nature. This is why the returns from continental European equities have consistently defied the sceptics over the years. While the economic performance of peripheral European countries has been stronger in recent times, your Portfolio Managers continue to believe that the soundest long-term investment prospects are to be found in those companies that typically originate from the core of Europe (France, Switzerland and Germany) and trade globally. Nevertheless, your Company's exposure in peripheral Europe does include Ryanair Holdings in Ireland, Novo Nordisk in Denmark, Kone in Finland and Assa Abloy in Sweden – all companies with leading franchises well beyond their own shores. In addition, select smaller companies have excellent growth potential, and a number of these feature in the portfolio alongside the core of global market leaders.

At the time of writing, it appears that negotiations to end the Russia-Ukraine war may involve a number of changes in the geopolitical framework of Europe. A more isolationist United States looks to be retreating behind its North American carapace, while President Trump appears determined to follow through on significant import tariffs. This naturally threatens European security as well as prosperity, not least given knock-on effects on agriculture and raw materials, both in terms of supply and inflation.

One might be forgiven for thinking that the implications were negative for European equities, and yet so far this year they have outperformed those in the United States, with investors encouraged by the prospects for peace - at least in the short-term - and valuations that compare favourably. In addition, heavy potential defence spending could help to lift the European economy out of the doldrums, with the fiscal framework possibly more broadly loosened. The European Central Bank is furthermore in the process of reducing interest rates.

If all this makes for a volatile outlook, your Portfolio Managers' continued focus on finding attractively valued companies with good long-term capital and income growth prospects should provide the opportunity for positive performance in any event.

FEES

As mentioned in last year's Annual Report, it is the practice of the Board to review fees paid to the Manager every third year. We did this in 2024, and the Directors believe that the fees continue to represent good value for shareholders.

OTHER MATTERS

DISCOUNT MANAGEMENT AND TREASURY SHARES

The Board has an active discount management policy, the primary purpose of which is to reduce discount volatility. The Board also closely monitors the liquidity of the Company's shares as the recent lack of natural buyers in the investment trust sector has put added pressure on discount levels. The policy seeks to maintain the discount to NAV in single digits in normal market circumstances. Buying back shares at a discount also results in an increase in the NAV per ordinary share.

To assist in managing the discount, the Board has shareholder approval to hold ordinary shares repurchased by the Company in Treasury, rather than cancelling them. Shares in Treasury are then available to be reissued at NAV per ordinary share or at a premium to NAV per ordinary share, facilitating the management of and enhancing liquidity in the Company's shares. The Board is seeking shareholder approval to renew this authority at the AGM on 8 May 2025.

Despite an environment of wider discounts across the investment trust universe, your Company's discount to NAV remained broadly in single digits throughout the year under review, and no shares were repurchased.

GEARING

The Company continues to gear through the use of derivative instruments, primarily contracts for difference ("CFDs"), and the Portfolio Managers have flexibility to gear within the parameters set by the Board, the rationale being that over the longer-term carefully monitored levels of gearing will enhance returns from a rising market. The ability to do this is a key advantage of the investment trust structure. As at 31 December 2024, the Company's gross gearing was 11.3% (2023: 13.1%), with net gearing also at 11.3% (2023: 11.5%). In the reporting year, gearing was maintained within the limits set by the Board and made a positive contribution to both absolute and relative NAV performance, as can be seen from the attribution analysis table in the Annual Report.

The Board monitors the level of gearing and the use of derivative instruments carefully and has defined a risk control framework for this purpose which is reviewed at each Board meeting. It should be emphasised that all gearing is subject to the Portfolio Managers' confidence in identifying attractive investment opportunities, and to their remaining attractive.

BOARD OF DIRECTORS

As I indicated in last year's Annual Report, I have now completed nine years' service on your Board, and in accordance with best practice, I will step down at the conclusion of the AGM on 8 May 2025. Paul Yates, as the Senior Independent Director, led an exercise to identify my successor, and in October 2024 we were delighted to announce the appointment of Davina Walter to the Board, and she will succeed me as Chairman at the conclusion of the AGM. Davina is an experienced investment professional, non-executive director and chairman, with 40 years of experience in the investment trust sector. We believe she is an excellent candidate to lead your Company in the coming years, and I wish her all the very best in her new role.

We continue to review Board composition and Directors' succession on a regular basis to ensure that we have a Board with a mix of tenures and one which provides diversity of perspective together with a range of skills and appropriate experience for your Company. Following my retirement, our Board will number three women and two men, with an average tenure of four years and nine months. Paul Yates is due to retire at the 2026 AGM when he will have completed nine years of service and his replacement as a non-executive Director will be recruited before then. In accordance with the UK Corporate Governance Code for Directors of FTSE 350 Companies, all Directors will be subject to re-election and in Davina's case election at the AGM on 8 May 2025. The Directors' biographies can be found in the Annual Report, and between them, they have a wide range of appropriate skills and experience to form a balanced Board for the Company.

CONTINUATION VOTE

In accordance with the Articles of Association, your Company is subject to a continuation vote every two years. The next continuation vote will take place at this year's AGM on 8 May 2025. At the last continuation vote in May 2023, it was pleasing to see strong evidence of shareholder support from the 99.86% of votes cast in favour of continuation of the Company. The enfranchisement of shareholders is a key advantage for investment trust investors over open-ended company investors, and we would urge all shareholders to use their vote at the forthcoming AGM.

ARTICLES OF ASSOCIATION

The Board is proposing to move to an aggregate cap on Directors' fees in line with market practice and to provide greater flexibility. The proposed new cap is £350,000 in aggregate per annum, replacing the existing cap of £50,000 per Director per annum which was put in place in 2010.

We have also taken the opportunity to make other changes of a minor or technical nature, including clarifications in relation to hybrid general meetings to follow how practice has developed. However, the amendments do not provide for, and the Board has no intention to move to, fully virtual meetings. A full tracked version of all the changes proposed to the Articles is available at www.fidelity.co.uk/europe. The Articles will be subject to shareholder approval at the AGM on 8 May 2025 and the principal changes proposed to the Articles are set out in more detail in the Directors' Report in the Annual Report.

ANNUAL GENERAL MEETING

The Company's AGM will be held at 11.00 am on Thursday, 8 May 2025 at 4 Cannon Street EC4M 5AB and virtually via the online Lumi AGM meeting platform.

The AGM provides a great opportunity for shareholders to meet the Company's Directors, and of course, for us to meet you, and hear first-hand from your Portfolio Managers. We hope to see as many of you as possible on the day. Full details of the AGM are below.

VIVIAN BAZALGETTE

Chairman

19 March 2025

ANNUAL GENERAL MEETING – THURSDAY, 8 MAY 2025 AT 11.00 AM

The AGM of the Company will be held at **11.00 am on Thursday, 8 May 2025** at 4 Cannon Street, London EC4M 5AB (nearest tube stations are St Paul's or Mansion House) and virtually via the online Lumi AGM meeting platform. Full details of the meeting are given in the Notice of Meeting in the Annual Report.

For those shareholders who are unable to attend in person, we will live-stream the formal business and presentations of the meeting online.

Sam Morse and Marcel Stötzel, the Portfolio Managers, will be making a presentation to shareholders highlighting the achievements and challenges of the year past and the prospects for the year to come. They and the Board will be very happy to answer any questions that shareholders may have. Copies of their presentation can be requested by email at investmenttrusts@fil.com or in writing to the Secretary at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Properly registered shareholders joining the AGM virtually will be able to vote on the proposed resolutions. See Note 9 to the Notes to the Notice of Meeting in the Annual Report for details on how to vote virtually. Investors viewing the AGM online will be able to submit live written questions to the Board and the Portfolio Managers and we will answer as many of these as possible at an appropriate juncture during the meeting.

Further information and links to the Lumi platform may be found on the Company's website at www.fidelity.co.uk/europe. On the day of the AGM, in order to join electronically and ask questions via the Lumi platform, shareholders will need to connect to the website <https://web.lumiagm.com>.

Please note that investors on platforms, such as Fidelity Personal Investing, Hargreaves Lansdown, Interactive Investor or AJ Bell Youinvest, will need to request attendance at the AGM in accordance with the policies of your chosen platform. They may request that you submit electronic votes in advance of the meeting. If you are unable to obtain a unique IVC and PIN from your nominee or platform, we will also welcome online participation as a guest. Once you have accessed <https://web.lumiagm.com> from your web browser on a tablet or computer, you will need to enter the **Lumi Meeting ID** which is **124004169**. You should then select the 'Guest Access' option before entering your name and who you are representing, if applicable. This will allow you to view the meeting and ask questions, but you will not be able to vote.

PORTFOLIO MANAGERS' REVIEW

QUESTION

Firstly, congratulations on winning multiple awards for Active European Equity fund management this year. How has the Company performed in the year to 31 December 2024?

ANSWER

Sam: Thank you, but as our shareholders will know, awards recognise past performance. They are, of course, gratefully received but the stock market often likes to teach award-winners a lesson. And thus, this was the case for us in 2024. At the half-year stage, the Company's NAV was still slightly above the Benchmark Index, which our shareholders may remember from the Half-Yearly Report. But, just as the awards rolled in, the tide went out for the European stock markets, especially in UK sterling terms, and for our relative performance. Investors' fears that interest rates might not come down as quickly as expected were heightened by the election of President Trump, and the likely consequences in terms of tariffs and other policies. The Company's portfolio fares less well when bond yields rise, as they did in short order, but our stock holdings detracted from returns as well. So, for the year under review, the Benchmark Index rose +3.0% while the Company's NAV total return was +0.5%. The widening of the discount meant that the share price return was -0.1%.

QUESTION

What stocks have been the main drivers of performance in 2024?

ANSWER

Marcel: The main contributors were: 3i which continued strong like-for-like store sales as well as store expansions at key holding Action, SAP was driven by strong product adoption (as detailed below) and margin performance and MTU as a result of strong aftermarket sales performance as well as successfully fixing the geared turbofan (GTF) engine issues.

The main detractors were: L'Oréal, which in a tough China environment, has seen growth in the short-term and expectations for the long-term decelerate, Nestlé mismanaged the pricing and cost relationship through Covid, and over the post Covid inflationary period, and thus had to reset medium-term guidance. Dassault Systèmes struggled with the Medidata acquisition as well as weakness from their autos and industrials customers.

Below are the top five stock contributors and detractors to performance in the Company's reporting year.

Top 5 Stock Contributors (on a relative basis)

	%
3i Group	+1.2
SAP	+1.1
MTU Aero Engines	+0.7
EssilorLuxottica	+0.6
Intesa Sanpaolo	+0.5

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Top 5 Stock Detractors (on a relative basis)

	%
L'Oréal	-0.8
Nestlé	-0.8
Dassault Systèmes	-0.5
Novo Nordisk	-0.5
TotalEnergies	-0.5

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QUESTION

Give an example of how your bottom-up stock selection process has added value to the Company this year?

ANSWER

Marcel: A notable example would be SAP. I covered SAP as an analyst 10 years ago and even back then the company and investors were talking about the massive potential of its enterprise resource planning software called S/4 HANA. Fast forward nine years later (an incredibly long time in technology) and the jury was still out on whether SAP's customers would adopt S/4 HANA or not. After doing a significant amount of work with the current Fidelity analyst that covers SAP, we came to the conclusion that this long adoption cycle was mainly customers waiting for the technology to mature and also large customers such as Nestlé or Samsung needing several years to get their IT systems in order before they could begin migrating. Additionally, we discovered SAP has both a carrot and a stick to "nudge" customers towards adoption - the carrot being great new functionality (including new Artificial Intelligence offerings), and the stick being the fact that SAP will stop supporting older software versions of S/4 HANA from 2027-2030. All of this gave us strong conviction that S/4 HANA adoption would be a case of "when, and not if" and this proved to be the case in 2024 and led to the impressive performance of the Company.

QUESTION

This year has been full of political change around the world as well as Europe. How has this affected the portfolio? And how do you think about geopolitical risk within the portfolio?

ANSWER

Sam: 2024 was a year of elections; some outcomes were expected, others were not. As mentioned already, President Trump's election, although expected by many, still resulted in rising bond yields because his policies on tariffs and immigration may be inflationary. This did not help the Company's portfolio which has a preponderance of bond-like steady dividend growers that fare less well, at least in the short-term, in a more inflationary environment. The unexpected French parliamentary elections also hurt the Company's performance. The portfolio is overweight companies listed in France because there are many world-leading franchises, like LVMH Moët Hennessy and L'Oréal, which have a long history of dividend growth. These companies garner the vast majority of their revenues and profits from outside France, but when investors are nervous about French sovereign exposure, they will get sold too in the general meltdown — probably more than they should. Many of our investors will know that Marcel and I stick to a policy of keeping large sector groupings balanced within five percentage points of the benchmark level. This balance normally dampens down other factorial risks, including geopolitical risks, across the portfolio, such that it is the stock-picking that drives performance over meaningful time periods. We still believe that will be the case in the longer-term.

QUESTION

With interest rates still much higher than previous years, what impact does this have on the companies you invest in?

ANSWER

Marcel: The most direct impact is that finance costs for companies in which we invest rises when interest rates rise. However, the reality is a bit more nuanced. Many CFOs of the companies we invested in took out fixed rate debt during the depths of Covid in 2020. This debt typically has a 5-year fixed interest rate period which means that many of our investee companies have not yet felt the pain from higher interest rates. We expect this may change in 2025, and thus we have been reducing exposure to companies that we feel could have nasty refinancing surprises in 2025.

At the portfolio level, higher interest rates are a matter of puts and takes – some companies such as banks will benefit from "higher for longer" interest rates while other companies such as construction or consumer spending exposed sectors will be hurt by high rates. Having said that, we do not explicitly take a view on macro variables such as the direction of interest rates, and thus would expect bottom-up stock picking to continue to be the main driver of the Company's performance.

QUESTION

How would you describe the outlook for continental Europe and does this correlate with your thoughts on the individual companies you invest in?

ANSWER

Sam: As we have often said, the macroeconomic backdrop does not reflect the outlook for individual European companies. Although the outlook for continental Europe is uncertain and faces challenges, we are excited about the prospects for the individual companies in which we invest. However, ageing populations, high levels of government debt and a lack of structural reform have curtailed growth in the region and give us reasons to be cautious. The Draghi report provides a sensible blueprint for improvement, but it is unlikely to be acted on in full while Europe remains mired in fragmented national politics. There is some hope that Germany, post elections, will look to release the legal hand brake on fiscal expansion. Does this matter for the companies we invest in? In part, yes, but European companies have often kept pace with global indices (admittedly not in 2024) because they are less and less reliant on the domestic European economies (two-thirds of sales and profits now comes from outside Europe). Also, there have been many studies showing that there is a tenuous link between regional economic growth and the performance of regional stock markets. The real dividend growth of constituent companies is much more important as are other crucial factors like the profitability of industry structures and corporate governance. So, although we are cautious on the outlook for continental Europe, we remain excited about the prospects for the individual companies held in the portfolio.

QUESTION

How does Fidelity European Trust PLC differentiate itself in comparison to other European equity funds or in comparison to other regions, and what advantages or challenges does this present?

ANSWER

Sam: Our primary area of differentiation comes from our focus on dividend growth, i.e. investing in companies that consistently grow their dividends year after year. While many investors focus on dividends or growth, we feel that focusing on both factors at the same time gives us an edge. We hope as a result of this philosophy and our bottom-up stock picking, we differentiate ourselves from the European benchmark over time. Our investment objective is to outperform the Benchmark Index by 1 to 2% per annum post fees. If successfully achieved, it will differentiate your Company from most other European equity funds over the years. This is, of course, easier said than done and always a challenge! Recently, European funds have differentiated themselves from other regional funds negatively via lacklustre relative performance. This has led to considerable outflows from European regional funds. European stock markets, as a result, appear to be trading at a significant valuation discount, on a

like for like basis, to other regions, in particular the US. Clearly, the sectoral and geographic mix of Europe is different to the US too, for example, less technology and a greater exposure to emerging markets including China. We still believe there is a strong case for diversification especially now that sentiment towards Europe is so negative. European companies, carefully selected, have beaten most global indices over longer periods of time.

QUESTION

The dividend has increased for thirteen consecutive years, putting the Company on the AIC’s ‘next generation’ of dividend heroes. How do you look at dividends versus growth when making an investment decision?

ANSWER

Marcel: We do not view growth and dividends as mutually exclusive. While clearly, we do not expect or desire a large dividend from a high growth company, we feel that very few companies have an excuse for not having at least a small dividend. An example of this is ASML, a company with enormous investment requirements and growth opportunities given their crucial role in enabling global semiconductor manufacturing. Even ASML pays a circa 1% dividend yield and notably has grown its dividend every year since 2009. This highlights another important point. While the €0.20 dividend paid in 2009 may not have seemed high (it was also around a 1% dividend yield at the time), ASML’s dividend has grown 30x to be over €6 by 2024. Thus, clearly not only is an attractive starting dividend yield important, but a rapidly growing dividend can also make for a fantastic investment.

QUESTION

Looking forward into 2025 and beyond, which sectors and regions are you particularly excited about?

ANSWER

Sam: We do not really invest on a top-down basis. Like most fund managers at Fidelity, we are bottom-up stock pickers. Our particular focus, in this respect, is to identify attractively valued cash-generative companies, with strong balance sheets, that we expect to grow their dividends on a three-to-five-year horizon. So, we do not get excited about sectors and regions but about individual companies. In fact, as mentioned before, we try to stay balanced by sector, such that the stock picking drives performance rather than allocation to certain sectors or regions.

ANSWER

Marcel: I would say what most excites us looking forward to 2025 is seeing how the more mainstream adoption of artificial intelligence (“AI”) will benefit a number of different stocks. This could range from technology stocks such as ASML and SAP to more “hidden” AI players such as Legrand (which sell products that are essential to datacentres such as transformers, Power Distribution Units, cooling, etc.). Additionally, we expect to see 2025 being the year that adopters of AI start to realise more tangible benefits, with financial services firms in particular, being well placed to reap the gains from AI.

SAM MORSE

Portfolio Manager

19 March 2025

MARCEL STÖTZEL

Co-Portfolio Manager

19 March 2025

STRATEGIC REPORT

RISK FRAMEWORK

Principal Risks and Uncertainties and Risk Management

As required by provisions 28 and 29 of the 2018 UK Corporate Governance Code, the Board has a robust ongoing process for identifying, evaluating and managing the principal risks and uncertainties faced by the Company, including those that could threaten its business model, future performance, solvency or liquidity. The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited/the “Manager”), has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key existing and emerging risks and uncertainties that the Company faces.

Emerging Risks

The Audit Committee continues to identify any new emerging risks and take any action necessary to mitigate their potential impact. The risks identified are placed on the Company’s risk matrix and graded appropriately. This process, together with the policies and procedures for the mitigation of existing and emerging risks, is updated and reviewed regularly in the form of comprehensive reports by the Audit Committee. The Board determines the nature and extent of any risks it is willing to take in order to achieve the Company’s strategic objectives.

Climate change, which refers to a large scale shift in the planet’s weather patterns and average temperatures, continues to be a key emerging as well as a principal risk confronting asset managers and their investors. Globally, climate change effects are already being experienced in the form of changing weather patterns. Extreme weather events can potentially impact the operations of investee companies, their supply chains and their customers. The Board notes that the Manager incorporates ESG considerations, including climate change, into the Company’s investment process. The Board will continue to monitor how this may impact the Company as a risk to investment valuations and potentially affect shareholder returns.

The Board, together with the Manager, is also monitoring the emerging risks posed by the rapid advancement of artificial intelligence (“AI”) and technology and how it may threaten the Company’s activities and its potential impact on the portfolio and investee companies. AI can provide asset managers powerful tools, such as enhancing data analysis risk management, trading strategies, operational efficiency and client servicing, all of which can lead to better investment outcomes and more efficient operations. However, with these advances in computing power that will impact society, there are risks from its increasing use and manipulation with the potential to harm, including a heightened threat to cybersecurity.

Other emerging risks may continue to evolve from unforeseen geopolitical and economic events.

The Manager also has responsibility for risk management for the Company. It works with the Board to identify and manage the principal and emerging risks and uncertainties and to ensure that the Board can continue to meet its UK corporate governance obligations.

The Board considers the risks listed below as the principal risks and uncertainties faced by the Company.

Principal Risks

Description and Risk Mitigation

Geopolitical, Economic and Market Risks

The Company and its assets may be impacted by geopolitical, economic and market related risks, in particular concerns over global economic growth, inflation and financial distress.

The Company is exposed to a number of geopolitical risks. The fast-changing global geopolitical landscape is largely shaped by the ongoing armed conflicts effects, deglobalisation trends and significant supply disruption, as well as concerns around global growth and uncertainties on effects of changes in monetary policies, recession amid inflationary pressures and financial distress. Russia and the Middle East are both significant net exporters of oil, natural gas and a variety of soft commodities and supply limitations have fuelled global inflation and economic instability, specifically within Western nations. Broader geopolitical themes include the US-China trade war, the South China sea dispute affecting shipping routes, the implications of China-Taiwan relations and escalation of North and South Korea tensions.

European economic growth remains under pressure: anaemic credit growth and depressed confidence will likely push the European Central Bank to cut rates more aggressively in 2025. A weaker euro remains the key offset to tariff risks. Additionally, downside risks are further accumulating as President Trump links the US's geo-economic aims with tariff threats. Significant increases in domestic European defence spending would provide a catalyst for a cyclical upswing, but the shape and timing are uncertain.

The Company may be affected by market and economic risks. The principal market related risks are market downturn, interest rate movements, inflation and market shocks, such as volatility from the war in Ukraine and conflict in the Middle East. The Company may also be impacted by concerns over global economic growth and major political events affecting markets and economies and the consequences of this. Although inflation is starting to stabilise across most economies, risks remain driven by a combination of global labour shortages in some sectors and supply chain shortages, including energy and food security. Inflation and economic instability are leading to a prolonged cost-of-living crisis and potentially impacting investors' risk appetite.

The Company's portfolio is made up mainly of listed securities. The Portfolio Managers success or failure to protect and increase the Company's value against the above background is core to the Company's continued success. The investment philosophy of stock-picking and investing in attractively valued companies should outperform the Benchmark Index over time.

The risk from the likely effects of unforeseen economic and market events is somewhat mitigated by the Company's investment trust structure which means no forced sales need to take place to deal with any redemptions. Therefore, investments can be held over a longer time horizon.

The Board reviews geopolitical, economic and market risks and legislative changes at each Board meeting. The Portfolio Managers provide an investment review at each meeting which includes a review of the economic and political environment and any risks and challenges faced by the Company.

Risks to which the Company is exposed to in the market risk category are included in Note 17 in the Financial Statements below together with summaries of the policies for managing these risks.

Investment Performance Risk (including the use of derivatives and gearing)

The achievement of the Company's investment performance objective relative to the market requires the taking of risk such as investment strategy, asset allocation and stock selection, and may lead to NAV and share price underperformance compared to the Benchmark Index and/or peer group companies. The Board relies on the Portfolio Managers' skills and judgement to make investment decisions based on research and analysis of individual stocks and sectors. The Board reviews the performance of the asset value of the portfolio against the Company's Benchmark Index and its competitors and also considers the outlook for the market with the Portfolio Managers at each Board meeting. The emphasis is on long-term investment performance as there is a risk for the Company of volatility of performance in the shorter-term.

Derivative instruments are used to protect and enhance investment conviction and returns. There is a risk that the use of derivatives may lead to higher volatility in the NAV and the share price due to leverage effect than might otherwise be the case. The Board has put in place policies and limits to control the Company's use of derivatives and exposures. These are monitored on a daily basis by the Manager's Compliance team and regular reports are provided to the Board. Further detail on derivative instruments risk is included in Note 17 in the Financial Statements below.

The Company gears through the use of long CFDs which provide greater flexibility and are generally cheaper than bank loans as a form of financing. The principal risk is that the Portfolio Managers fail to use gearing effectively, resulting in a failure to outperform in a rising market or increasing underperformance in a falling market. The Board regularly considers the level of gearing and gearing risk and sets limits within which the Manager must operate.

Legislation, Taxation and Regulatory Risks

The Company may be impacted by changes in legislation, taxation, regulation or other external influence that require changes to the nature of the Company's business.

A breach of Section 1158 of the Corporation Tax Act 2010 by the Company could lead to a loss of investment trust status, resulting in the Company being subject to tax on capital gains.

In recent months, there have been increased concerns around investment cost disclosures and their impact on the industry. However, it should be noted that the Government and regulator have announced a temporary exemption for investment companies from the EU cost disclosure requirements.

Regulatory changes for investment companies are monitored regularly by the Board and managed through active engagement with regulators and trade bodies by the Manager and also by the AIC.

Marketplace and Competition Risks

The environment in which the Company operates continues to undergo change, which may affect the Company's ability to grow and maintain its business. This change includes the increasing presence of alternative investment offerings, as well as industry consolidation, which could influence the demand for investment trusts.

The Board, the Manager, and the Company's Broker closely monitor industry activity and the peer group and actively manage supply and demand through its discount policies and mechanisms. In addition, an annual strategy review is undertaken by the Board to ensure that the Company continues to offer a relevant product to shareholders.

Cybercrime and Information Security Risks

The operational risk and business impact from heightened external levels of cybercrime and the risk of data loss is significant. Cybercrime threats evolve rapidly and consequently the risk is regularly re-assessed and the Board receives regular updates from the Manager in respect of the type and possible scale of cyberattacks. The Manager's technology and risk management teams have developed robust risk frameworks and implemented a number of initiatives and controls in order to provide enhanced mitigating protection to this ever-increasing threat, and also to address the potential risks of artificial intelligence (AI). The risks are regularly re-assessed by Fidelity's information security teams and risk frameworks are continually enhanced with the implementation of additional tools and processes, including improvements to existing ones. Fidelity has dedicated cybersecurity and technology risk teams which provide continuous oversight, preventative and detection controls as well as awareness updates and best practice guidance.

Risks also remain due to military conflicts and geopolitical tensions including the war in Ukraine and conflict in the Middle East and employees working from home. These primarily relate to phishing,

ransomware, remote access threats, extortion and denial of services attacks, threats from highly organised criminal networks and sophisticated ransomware operators. The Manager has dedicated prevent, detect and respond resources specifically to monitor the cyber threats associated within the workplace and there are a number of mitigating actions in place, including control strengthening, geo-blocking and phishing mitigants, combined with enhanced resilience and recovery options.

The Company's third-party service providers are also subject to regular oversight and provide assurances and have similar control measures in place to detect and respond to cyber threats and activity.

Business Continuity Risk

There continues to be increased focus from financial services regulators around the world on the contingency plans of regulated financial firms. The top risks globally are cybersecurity, geopolitical events, outages, fire events and natural disasters. There are also ongoing risks from the war in Ukraine and conflict in the Middle East, specifically regarding cyberattacks and the potential loss of power and/or broadband services.

The Manager continues to take all necessary and reasonable steps to assure operational resilience and to meet its regulatory obligations, assess its ability to continue operating and the steps it needs to take to support its clients, including the Board, and has an appropriate control environment in place. The Manager has provided the Board with assurance that the Company has appropriate operational resilience and business continuity plans and the provision of services has continued to be supplied without interruption. In addition, hybrid working patterns allow for greater flexibility in the event of another pandemic or similar event.

The Company relies on a number of third-party service providers, principally the Registrar, Custodian and Depositary. They are all subject to a risk-based programme of risk oversight and internal audits by the Manager and their own internal controls reports are received by the Board on an annual basis and any concerns are investigated. The third-party service providers have also confirmed the implementation of appropriate measures to ensure no business disruption.

Risks associated with these services are generally rated as low, but the financial consequences could be serious, including reputational damage to the Company. These are mitigated through operational resilience frameworks.

Key Person and Operational Support Risks

The loss of the Portfolio Manager or key individuals could lead to potential performance, operational or regulatory issues.

The Portfolio Manager's style is intrinsically linked with the Company's investment philosophy and strategy and, therefore, the Company has a key person dependency on him. Fidelity has succession plans in place for its portfolio managers which have been discussed with the Board and provides some assurance in this regard. The Co-Portfolio Manager has been in place since 1 September 2020 and he works closely alongside the Portfolio Manager and has extensive experience in European markets and companies and shares a common investment approach and complementary investment experience with the Portfolio Manager. This helps strengthen the investment process by introducing greater challenge and also increases the ability to be able to meet more companies.

The Manager identifies key dependencies which are then addressed through succession plans, particularly for portfolio managers.

Discount Control Risk

Owing to the nature of investment companies, the price of the Company's shares and its discount to NAV are factors which are not totally within the Company's control. The Board has an active discount management policy in place, the primary purpose of which is to reduce discount volatility and maintain the Company's discount in single digits in normal market conditions. Some short-term influence over the discount may be exercised by the use of share repurchases at acceptable prices and within the parameters set by the Board. The demand for shares can be influenced through good performance and an active investor relations program.

The Company's share price, NAV and discount volatility are monitored daily by the Manager and the Company's Broker and considered by the Board at each of its meetings.

The investment company sector has suffered from significant discounts for an extended period and this has allowed for some activist managers to take a more aggressive approach. The Board is aware of these risks and continue to actively monitor the Company's discount and will take action within the guidelines set.

Environmental, Social and Governance ("ESG") Risk

There is a risk that the value of the assets of the Company is affected by ESG related risks, including climate change risk, such as the risk of extreme weather events that may impact global supply chains for companies and customers. ESG risks include investor expectations and how the Company is positioned from a marketing perspective and whether it is compliant with its ESG disclosure requirements. Whilst Fidelity considers ESG factors in its investment decision-making process, the Company does not carry the label. However, ESG continues to be a risk confronting asset managers and investors. The Board monitors how this may potentially impact the Company on investment valuations and shareholders returns.

ESG integration is carried out at the fundamental research analyst level within its investment teams, primarily through Fidelity's Proprietary Sustainability Rating which is designed to generate a forward-looking and holistic assessment of a company's ESG risks and opportunities based on sector-specific key performance indicators. The Portfolio Manager considers the effects of ESG when making investment decisions. ESG ratings of the companies within the Company's portfolio compared to MSCI ratings are provided in the Annual Report.

The Company has a full risk register which includes less material risks and the Audit Committee, on behalf of the Board, reviews this at least annually.

Continuation Vote

A continuation vote takes place every two years. There is a risk that shareholders do not vote in favour of the continuation of the Company during periods when performance of the Company's NAV and its share price is poor. The last continuation vote was at the AGM held on 10 May 2023 and 99.86% of the votes cast by shareholders were in favour of the continuation of the Company. The next continuation vote will take place at this year's AGM on 8 May 2025 and the Directors expect the vote to be passed.

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 month period required by the "Going Concern" basis. The Company is an investment trust with the objective of achieving long-term growth in both capital and income. The Board considers long-term to be at least five years, and accordingly, the Directors believe that five years is an appropriate investment horizon to assess the viability of the Company, although the life of the Company is not intended to be limited to this or any other period.

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

- The ongoing relevance of the investment objective in prevailing market conditions;
- The Company's level of gearing;
- The Company's NAV and share price performance compared to its Benchmark Index;
- The principal and emerging risks and uncertainties facing the Company and their potential impact, as set out above;
- The likely future demand for the Company's shares;
- The Company's share price discount to the NAV and the Board's discount management policy;
- The liquidity of the Company's portfolio;
- The level of income generated by the Company; and
- Future income and expenditure forecasts.

The Company's performance for the five year reporting period to 31 December 2024 was well ahead of the Benchmark Index, with a NAV total return of +54.2% and an ordinary share price total return of +52.6% compared to the Benchmark Index total return of +41.4%. The Board regularly reviews the investment policy and considers whether it remains appropriate. The Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years based on the following considerations:

- The Investment Manager's compliance with the Company's investment objective and policy, its investment strategy and asset allocation;
- The portfolio mainly comprises readily realisable securities which can be sold to meet funding requirements if necessary;
- The Board's discount management policy; and
- The ongoing processes for monitoring operating costs and income which are considered to be reasonable in comparison to the Company's total assets.

In preparing the Financial Statements, the Directors have considered the continued impact of climate change and potential emerging risks from the use of artificial intelligence as detailed above. The Board has also considered the impact of regulatory changes, unforeseen market events, geopolitical issues and the ongoing global implications of the war in Ukraine and the conflict in the Middle East and how this may affect the Company.

In addition, the Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern Statement below.

GOING CONCERN STATEMENT

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio and its expenditure and cash flow projections. The Directors, having considered the liquidity of the Company's portfolio of investments (being mainly securities which are readily realisable) and the projected income and expenditure, are satisfied that the Company is financially sound and has adequate resources to meet all of its liabilities and ongoing expenses and continue in operational existence for the foreseeable future. The Board has, therefore, concluded that the Company has adequate resources to continue to adopt the going concern basis for the period to 31 March 2026 which is at least twelve months from the date of approval of the Financial Statements. This conclusion also takes into account the Board's assessment of the ongoing risks from the war in Ukraine, the Middle East conflict, significant market and geopolitical events and regulatory changes on the Company's performance, prospects and operations.

Accordingly, the Financial Statements of the Company have been prepared on a going concern basis.

The prospects of the Company over a period longer than twelve months can be found in the Viability Statement above.

The Board has also considered the upcoming continuation vote at the AGM on 8 May 2025 and are not aware of any circumstances that would result in the continuation vote not being passed.

PROMOTING THE SUCCESS OF THE COMPANY

Under Section 172(1) of the Companies Act 2006, the Directors of a company must act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the likely consequences of any decision in the long-term; the need to foster relationships with the Company's suppliers, customers and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the Company.

As an externally managed investment company, the Company has no employees or physical assets, and a number of the Company's functions are outsourced to third parties. The key outsourced function is the provision of investment management services by the Manager, but other professional service providers support the Company by providing administration, custodial, banking and audit services. The Board considers the Company's key stakeholders to be the existing and potential shareholders, the externally appointed Manager (FIL Investment Services (UK) Limited) and other third-party professional service providers. The Board considers that the interest of these stakeholders is aligned with the Company's objective of delivering long-term capital growth to investors, in line with the Company's stated objective and strategy, while providing the highest standards of legal, regulatory and commercial conduct.

The Board, with the Portfolio Managers, sets the overall investment strategy and reviews this at an annual strategy day which is separate from the regular cycle of board meetings. In order to ensure good governance of the Company, the Board has set various limits on the investments in the portfolio, whether in the maximum size of individual holdings, the use of derivatives, the level of gearing and others. These limits and guidelines are regularly monitored and reviewed and are set out in the Annual Report.

The Board receives regular reports from the Company's Broker which covers market activity and how the Company compares with peers in the AIC Europe and European Smaller Companies sectors.

The Board places great importance on communication with shareholders. The Annual General Meeting provides the key forum for the Board and the Portfolio Managers to present to the shareholders on the Company's performance and future plans and the Board encourages all shareholders to attend in person or virtually and raise any questions or concerns. The Chairman and other Board members are available to meet shareholders as appropriate. Shareholders may also communicate with Board members at any time by writing to them at the Company's registered office at FIL Investments International, Beech Gate, Millfield Lane, Tadworth, Surrey KT20 6RP or via the Secretary at the same address or by email at investmenttrusts@fil.com.

The Portfolio Managers meet with major shareholders, potential investors, stock market analysts, journalists and other commentators throughout the year. These communication opportunities help inform the Board in considering how best to promote the success of the company over the long-term.

The Board seeks to engage with the Manager and other service providers and advisers in a constructive and collaborative way, promoting a culture of strong governance, while encouraging open and constructive debate, in order to ensure appropriate and regular challenge and evaluation. This aims to enhance service levels and strengthen relationships with service providers, with a view to ensuring shareholders' interests are best served by maintaining the highest standards of commercial conduct while keeping cost levels competitive.

Whilst the Company's direct operations are limited, the Board recognises the importance of considering the impact of the Company's investment strategy on the wider community and environment. The Board believes that a proper consideration of Environmental, Social and Governance (ESG) issues aligns with the Company's investment objective to deliver long-term growth in both capital and income.

In addition to ensuring that the Company's investment objective was being pursued, key decisions and actions taken by the Board during the reporting year, and up to the date of this report, have included:

- As part of the Board's succession plan, carrying out a recruitment process to replace Vivian Bazalgette as non-executive Director and Chairman of the Board who having completed nine years on the Board on 1 December 2024 will step down at the conclusion of the AGM on 8 May 2025. Davina Walter will replace him as non-executive Director and Chairman of the Board;
- The decision to pay an interim dividend of 3.60 pence per ordinary share and a final dividend of 5.50 pence per ordinary share (a total of 9.10 pence per ordinary share), to maintain the Board's policy to pay progressive dividends in normal circumstances. The Company has paid an increased dividend for 14 years in a row;
- Meetings by the Chairman with some of the Company's key shareholders during the reporting year;
- The decision once again to hold a hybrid AGM in 2025 in order to make the AGM more accessible to those shareholders who are unable to or prefer not to attend in person; and
- The decision to update the Company's Articles of Association, subject to shareholder approval at the AGM on 8 May 2025.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law, the Directors have elected to prepare the Financial Statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including Financial Reporting Standard FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). 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 and of the profit or loss for the reporting period.

In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Present information, including accounting policies, in a fair and balanced manner that provides relevant, reliable, comparable and understandable information;
- State whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business.

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 Company and 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.

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

The Directors have delegated the responsibility for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website at www.fidelity.co.uk/europe to the Manager. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of the Financial Statements may differ from legislation in their own jurisdictions.

The Directors confirm that to the best of their knowledge:

- The Financial Statements, prepared in accordance with UK Generally Accepted Accounting Practice, including FRS 102, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- The Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces; and

Total shareholders' funds at 31 December 2023	10,411	58,615	5,414	1,472,587	40,452	1,587,479
	=====	=====	=====	=====	=====	=====

The Notes above form an integral part of these Financial Statements.

BALANCE SHEET AS AT 31 DECEMBER 2024 COMPANY NUMBER 2638812

	Notes	2024 £'000	2023 £'000
Fixed assets			
Investments	10	1,487,772	1,518,875
	-----	-----	-----
Current assets			
Derivative instruments	11	-	886
Debtors	12	9,506	11,449
Amounts held at futures clearing houses and brokers		10,078	8,384
Cash and cash equivalents		63,042	52,804
		-----	-----
		82,626	73,523
		=====	=====
Current liabilities			
Derivative instruments	11	(5,796)	(3,521)
Other creditors	13	(1,473)	(1,398)
		-----	-----
		(7,269)	(4,919)
		=====	=====
Net current assets		75,357	68,604
		-----	-----
Net assets		1,563,129	1,587,479
		=====	=====
Capital and reserves			
Share capital	14	10,411	10,411
Share premium account	15	58,615	58,615
Capital redemption reserve	15	5,414	5,414
Capital reserve	15	1,440,810	1,472,587
Revenue reserve	15	47,879	40,452
		-----	-----
Total shareholders' funds		1,563,129	1,587,479
		=====	=====
Net asset value per ordinary share	16	382.44p	388.39p
		=====	=====

The Financial Statements above and below were approved by the Board of Directors on 19 March 2025 and were signed on its behalf by:

VIVIAN BAZALGETTE
Chairman

The Notes below form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACTIVITY

Fidelity European Trust PLC is an Investment Company incorporated in England and Wales that is listed on the London Stock Exchange. The Company's registration number is 2638812, and its registered office is Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP. The Company has been approved by HM Revenue & Customs as an Investment Trust under Section 1158 of the Corporation Tax Act 2010 and intends to conduct its affairs so as to continue to be approved.

2 ACCOUNTING POLICIES

The Company has prepared its Financial Statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", issued by the Financial Reporting Council ("FRC"). The Financial Statements have also been prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC") in July 2022. The Company is exempt from presenting a Cash Flow Statement as a Statement of Changes in Equity is presented and substantially all of the Company's investments are highly liquid and are carried at market value.

(a) Basis of accounting

The Financial Statements have been prepared on a going concern basis and under the historical cost convention, except for the measurement at fair value of investments and derivative instruments. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence up to 31 March 2026 which is at least twelve months from the date of approval of these Financial Statements. In making their assessment the Directors have reviewed income and expense projections, reviewed the liquidity of the investment portfolio and considered the Company's ability to meet liabilities as they fall due. This conclusion also takes into account the Director's assessment of the risks faced by the Company and their consideration of the upcoming continuation vote at the AGM on 8 May 2025, as detailed in the Going Concern Statement above. The Directors recommend that shareholders vote in favour of the continuation of the Company.

In preparing these Financial Statements the Directors have considered the impact of climate change risk as an emerging and a principal risk as set out above, and have concluded that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing. In line with FRS 102, investments are valued at fair value, which for the Company are quoted bid prices for investments in active markets at the balance sheet date and therefore reflect the market participants view of climate change risk on the investments held by the Company.

The Company's Going Concern Statement above takes account of all events and conditions up to 31 March 2026 which is at least twelve months from the date of approval of these Financial Statements.

b) Significant accounting estimates and judgements

The Directors make judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The Company's Financial Statements contain no key sources of estimation or uncertainty.

c) Segmental reporting

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

d) Presentation of the Income Statement

In order to better reflect the activities of an investment company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been prepared alongside the Income Statement. The net revenue return/(loss) after taxation for the year is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1159 of the Corporation Tax Act 2010.

e) Income

Income from equity investments is accounted for on the date on which the right to receive the payment is established, normally the ex-dividend date. Overseas dividends are accounted for gross of any tax deducted at source. Amounts are credited to the revenue column of the Income Statement. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend foregone is recognised in the revenue column of the Income Statement. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital column of the Income Statement. Special dividends are treated as a revenue receipt or a capital receipt depending on the facts and circumstances of each particular case.

Derivative instrument income received from dividends on long contracts for difference ("CFDs") is accounted for on the date on which the right to receive the payment is established, normally the ex-dividend date. The amount net of tax is credited to the revenue column of the Income Statement.

Interest received on CFDs, bank deposits, collateral and money market funds is accounted for on an accruals basis and credited to the revenue column of the Income Statement. Interest received on CFDs represent the finance costs calculated by reference to the notional value of the CFDs.

f) Investment management fees and other expenses

Investment management fees and other expenses are accounted for on an accruals basis and are charged as follows:

- The investment management fee is allocated 25% to revenue and 75% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's portfolio of investments; and
- All other expenses are allocated in full to revenue with the exception of those directly attributable to share issues or other capital events.

g) Functional currency and foreign exchange

The functional and reporting currency of the Company is UK sterling, which is the currency of the primary economic environment in which the Company operates. Transactions denominated in foreign currencies are reported in UK sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the Balance Sheet date. Foreign exchange gains and losses arising on translation are recognised in the Income Statement as a revenue or a capital item depending on the nature of the underlying item to which they relate.

h) Finance costs

Finance costs comprises interest paid on collateral and bank deposits and finance costs paid on CFDs, which are accounted for on an accruals basis. Finance costs are allocated 25% to revenue and 75% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's portfolio of investments.

i) Taxation

The taxation charge represents the sum of current taxation and deferred taxation.

Current taxation is taxation suffered at source on overseas income less amounts recoverable under taxation treaties. Taxation is charged or credited to the revenue column of the Income Statement, except where it relates to items of a capital nature, in which case it is charged or credited to the capital column of the Income Statement. Where expenses are allocated between revenue and capital any tax relief in respect of the expenses is allocated between revenue and capital returns on the marginal basis using the Company's effective rate of corporation tax for the accounting period. The Company is an approved Investment Trust under Section 1158 of the Corporation Tax Act 2010 and is not liable for UK taxation on capital gains.

Deferred taxation is the taxation expected to be payable or recoverable on timing differences between the treatment of certain items for accounting purposes and their treatment for the purposes of computing taxable profits. Deferred taxation is based on tax rates that have been enacted or substantively enacted when the taxation is expected to be payable or recoverable. Deferred tax assets are only recognised if it is considered more likely than not that there will be sufficient future taxable profits to utilise them.

j) Dividend paid

Dividends payable to equity shareholders are recognised when the Company's obligation to make payment is established.

k) Investments

The Company's business is investing in financial instruments with a view to profiting from their total return in the form of income and capital growth. This portfolio of investments is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided on that basis to the Company's Board of Directors. Investments are measured at fair value with changes in fair value recognised in profit or loss, in accordance with the provisions of both Section 11 and Section 12 of FRS 102. The fair value of investments is initially taken to be their cost and is subsequently measured as follows:

- Listed investments are valued at bid prices, or last market prices, depending on the convention of the exchange on which they are listed.

In accordance with the AIC SORP, the Company includes transaction costs, incidental to the purchase or sale of investments, within (losses)/gains on investments in the capital column of the Income Statement and has disclosed these costs in Note 10 below.

l) Derivative instruments

When appropriate, permitted transactions in derivative instruments are used. Derivative transactions into which the Company may enter include long and short CFDs and futures. Derivatives are classified as other financial instruments and are initially accounted and measured at fair value on the date the derivative contract is entered into and subsequently measured at fair value as follows:

- Long and short CFDs – the difference between the strike price and the value of the underlying shares in the contract; and
- Futures – the difference between the contract price and the quoted trade price.

Where transactions are used to protect or enhance income, if the circumstances support this, the income and expenses derived are included in net income in the revenue column of the Income Statement. Where such transactions are used to protect or enhance capital, if the circumstances support this, the income and expenses derived are included in gains/(losses) on derivative instruments in the capital column of the Income Statement. Any positions on such transactions open at the year end are reflected on the Balance Sheet at their fair value within current assets or current liabilities.

m) Debtors

Debtors include accrued income, taxation recoverable and other debtors and prepayments incurred in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer) they are classified as current assets. If not, they are presented as non-current assets. They are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method.

n) Amounts held at futures clearing houses and brokers

These are amounts held in segregated accounts on behalf of brokers as collateral against open derivative contracts. These are carried at amortised cost.

o) Cash and cash equivalents

Cash and cash equivalents may comprise cash at bank and money market funds which are short-term, highly liquid and are readily convertible to a known amount of cash. These are subject to an insignificant risk of changes in value.

p) Other creditors

Other creditors include investment management fees and other creditors and expenses accrued in the ordinary course of business. If payment is due within one year or less (or in the normal operating cycle of the business, if longer) they are classified as current liabilities. If not, they are presented as non-current liabilities. They are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method.

q) Capital reserve

The following are accounted for in the capital reserve:

- Gains and losses on the disposal of investments and derivative instruments;
- Changes in the fair value of investments and derivative instruments held at the year end;
- Foreign exchange gains and losses of a capital nature;
- 75% of investment management fees and finance costs;
- Dividends receivable which are capital in nature; and
- Cost of repurchasing shares.

Technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 02/17BL, guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006, states that changes in the fair value of investments which are readily convertible to cash, without accepting adverse terms at the Balance Sheet date, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as capital reserve in the Statement of Changes in Equity and the Balance Sheet. At the Balance Sheet date, the portfolio of the Company consisted of investments listed on a recognised stock exchange and derivative instruments contracted with counterparties having an adequate credit rating, and the portfolio was considered to be readily convertible to cash.

3 INCOME

	Year ended 31.12.24 £'000	Year ended 31.12.23 £'000
Investment income		
Overseas dividends	42,870	37,484
Overseas scrip dividends	–	957
UK dividends	1,654	1,679
	-----	-----
	44,524	40,120
	=====	=====
Derivative income		
Income recognised from futures contracts	2,468	2,392
Dividends received on long CFDs	3,972	3,570
Interest received on CFDs	329	333
	-----	-----
	6,769	6,295
	=====	=====
Investment and derivative income	51,293	46,415
	=====	=====
Other income		
Interest received on collateral, bank deposits and money market funds	2,323	798
Interest received on tax reclaims	54	8
	-----	-----
	2,377	806
	=====	=====
Total income	53,670	47,221
	=====	=====

Special dividends of £1,271,000 (2023: £710,000) have been recognised in capital.

4 INVESTMENT MANAGEMENT FEES

	Year ended 31 December 2024			Year ended 31 December 2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fees	2,878	8,634	11,512	2,625	7,877	10,502
	=====	=====	=====	=====	=====	=====

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management to FIL Investments International ("FIL"). Both companies are Fidelity group companies.

FIL charges investment management fees at an annual rate of 0.85% of net assets up to £400 million and 0.65% of net assets in excess of £400 million. Fees are payable monthly in arrears and are calculated on a daily basis.

Investment management fees have been allocated 75% to capital reserve in accordance with the Company's accounting policies.

5 OTHER EXPENSES

	Year ended 31.12.24 £'000	Year ended 31.12.23 £'000
AIC fees	24	21
Custody fees	90	81
Depositary fees	63	54
Directors' fees ¹	186	169
Legal and professional fees	120	94
Marketing expenses	221	260
Printing and publication expenses	191	127
Registrars' fees	91	86
Fees payable to the Company's Independent Auditor for the audit of the Financial Statements	50	48

Other expenses											27	27
											-----	-----
											1,063	967
											=====	=====

1 Details of the breakdown of Directors' fees are disclosed in the Directors' Remuneration Report in the Annual Report.

6 FINANCE COSTS

	Year ended 31 December 2024			Year ended 31 December 2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest paid on collateral and bank deposits	15	43	58	–	–	–
Interest paid on CFDs	2,122	6,367	8,489	1,601	4,803	6,404
Costs recognised from futures contracts	633	1,899	2,532	537	1,611	2,148
	-----	-----	-----	-----	-----	-----
	2,770	8,309	11,079	2,138	6,414	8,552
	=====	=====	=====	=====	=====	=====

Finance costs have been allocated 75% to capital reserve in accordance with the Company's accounting policies.

7 TAXATION ON RETURN/(LOSS) ON ORDINARY ACTIVITIES

	Year ended 31 December 2024			Year ended 31 December 2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
a) Analysis of the taxation charge for the year						
Overseas taxation	4,422	–	4,422	3,390	–	3,390
	-----	-----	-----	-----	-----	-----
Taxation charge for the year (see Note 7b)	4,422	–	4,422	3,390	–	3,390
	=====	=====	=====	=====	=====	=====

b) Factors affecting the taxation charge for the year

The taxation charge for the year is lower than the standard rate of UK corporation tax for an investment trust company of 25.00% (2023: 25.00%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	Year ended 31 December 2024			Year ended 31 December 2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return/(loss) on ordinary activities before taxation	46,959	(31,777)	15,182	41,491	200,591	242,082
	-----	-----	-----	-----	-----	-----
Net return/(loss) on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 25.00% (2023: blended rate of 23.52%)	11,740	(7,944)	3,796	9,758	47,179	56,937
Effects of:						
Capital losses/(gains) not taxable ¹	–	3,709	3,709	–	(50,540)	(50,540)
Income not taxable	(11,131)	–	(11,131)	(9,436)	–	(9,436)
Expenses not deductible	–	2,077	2,077	–	1,509	1,509
Excess management expenses	(609)	2,158	1,549	(322)	1,852	1,530
Overseas taxation	4,422	–	4,422	3,390	–	3,390
	-----	-----	-----	-----	-----	-----
Total taxation charge for the year (see Note 7a)	4,422	–	4,422	3,390	–	3,390
	=====	=====	=====	=====	=====	=====

1 The Company is exempt from UK taxation on capital gains as it meets the HM Revenue & Customs criteria for an investment company set out in Section 1159 of the Corporation Tax Act 2010.

c) Deferred taxation

A deferred tax asset of £18,676,000 (2023: £17,127,000), in respect of excess expenses of £69,202,000 (2023: £63,004,000) and excess loan interest of £5,505,000 (2023: £5,505,000), has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

The UK corporation tax rate increased from 19.00% to 25.00% from 1 April 2023. The rate of 25.00% has been applied to calculate the unrecognised deferred tax asset for the current year (2023: 25.00%).

8. RETURN PER ORDINARY SHARE

	Year ended 31.12.24	Year ended 31.12.23
Revenue return per ordinary share	10.41p	9.32p
Capital (loss)/return per ordinary share	(7.78p)	49.08p
Total return per ordinary share	2.63p	58.40p

The return/(loss) per ordinary share is based on the net return/(loss) on ordinary activities after taxation for the year divided by the weighted average number of ordinary shares held outside of Treasury during the year, as shown below:

	£'000	£'000
Net revenue return on ordinary activities after taxation	42,537	38,101
Net capital (loss)/return on ordinary activities after taxation	(31,777)	200,591
Total return on ordinary activities after taxation	10,760	238,692

	Number	Number
Weighted average number of ordinary shares held outside of Treasury	408,730,523	408,730,523

9 DIVIDENDS PAID TO SHAREHOLDERS

	Year ended 31.12.24 £'000	Year ended 31.12.23 £'000
Dividends paid		
Interim dividend of 3.60 pence per ordinary share paid for the year ended 31 December 2024	14,714	–
Final dividend of 4.99 pence per ordinary share paid for the year ended 31 December 2023	20,396	–
Interim dividend of 3.26 pence per ordinary share paid for the year ended 31 December 2023	–	13,325
Final dividend of 4.62 pence per ordinary share paid for the year ended 31 December 2022	–	18,883
	35,110	32,208

Dividends proposed		
Final dividend of 5.50 pence per ordinary share proposed for the year ended 31 December 2024	22,480	–
Final dividend of 4.99 pence per ordinary share proposed for the year ended 31 December 2023	–	20,396
Total dividend proposed	22,480	20,396

The Directors have proposed the payment of a final dividend for the year ended 31 December 2024 of 5.50 pence per ordinary share which is subject to approval by shareholders at the Annual General Meeting on 8 May 2025 and has not been included as a liability in these Financial Statements. The dividend will be paid on 13 May 2025 to shareholders on the register at the close of business on 28 March 2025 (ex-dividend date 27 March 2025).

10 INVESTMENTS

	2024 £'000	2023 £'000
Investments held at fair value	1,487,772	1,518,875
Opening book cost	943,460	872,694
Opening investment holding gains	575,415	452,695
Opening fair value	1,518,875	1,325,389
Movements in the year		
Purchases at cost	185,382	275,931
Sales – proceeds	(169,184)	(248,350)

(Losses)/gains on investments		(47,301)	165,905
		-----	-----
Closing fair value		1,487,772	1,518,875
		=====	=====
Closing book cost		1,005,206	943,460
Closing investment holding gains		482,566	575,415
		-----	-----
Closing fair value		1,487,772	1,518,875
		=====	=====

The Company received £169,184,000 (2023: £248,350,000) from investments sold in the year. The book cost of these investments when they were purchased was £123,636,000 (2023: £205,165,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Investment transaction costs

Transaction costs incurred in the acquisition and disposal of investments, which are included in the (losses)/gains on investments above, were as follows:

	Year ended	Year ended
	31.12.24	31.12.23
	£'000	£'000
Purchases transaction costs	488	286
Sales transaction costs	70	121
	-----	-----
	558	407
	=====	=====

11 DERIVATIVE INSTRUMENTS

	Year ended	Year ended
	31.12.24	31.12.23
	£'000	£'000
Gains/(losses) on derivative instruments		
Gains on long CFD positions closed	41,187	32,223
(Losses)/gains on short CFD positions closed	(8,418)	2,257
Gains on futures contracts closed	5,815	9,484
Movement in investment holding (losses)/gains on long CFDs	(2,246)	4,229
Movement in investment holding (losses)/gains on short CFDs	(142)	142
Movement in investment holding (losses)/gains on futures	(773)	2,106
	-----	-----
	35,423	50,441
	=====	=====

	2024	2023
	Fair value	Fair value
	£'000	£'000
Derivative instruments recognised on the Balance Sheet		
Derivative instrument assets	–	886
Derivative instrument liabilities	(5,796)	(3,521)
	-----	-----
	(5,796)	(2,635)
	=====	=====

	2024	Asset	2023	Asset
	Fair value	exposure	Fair value	exposure
	£'000	£'000	£'000	£'000
At the year end the Company held the following derivative instruments				
Long CFDs	(4,675)	196,659	(2,429)	199,945
Short CFDs	–	–	142	12,736

Long futures	(1,121)	54,743	(348)	64,492
	-----	-----	-----	-----
	(5,796)	251,402	(2,635)	277,173
	=====	=====	=====	=====

12. DEBTORS

		2024	2023
		£'000	£'000
Accrued income		618	933
Taxation recoverable		8,807	10,393
Other debtors and prepayments		81	123
		-----	-----
		9,506	11,449
		=====	=====

13. OTHER CREDITORS

		2024	2023
		£'000	£'000
Creditors and accruals		1,473	1,398
		-----	-----
		1,473	1,398
		=====	=====

14. SHARE CAPITAL

	2024		2023	
	Number of	Nominal	Number of	Nominal
	shares	value	shares	value
		£'000		£'000
Issued, allotted and fully paid				
Ordinary shares of 2.5 pence each held outside of Treasury				
Beginning of the year	408,730,523	10,218	408,730,523	10,218
Ordinary shares repurchased into Treasury	—	—	—	—
	-----	-----	-----	-----
End of the year	408,730,523	10,218	408,730,523	10,218
	=====	=====	=====	=====
Ordinary shares of 2.5 pence each held in Treasury¹				
Beginning of the year	7,717,387	193	7,717,387	193
Ordinary shares repurchased into Treasury	—	—	—	—
	-----	-----	-----	-----
End of the year	7,717,387	193	7,717,387	193
	=====	=====	=====	=====
Total share capital		10,411		10,411
	=====	=====	=====	=====

1 Ordinary shares held in Treasury carry no rights to vote, to receive a dividend or to participate in a winding up of the Company.

No ordinary shares were repurchased into Treasury during the year (2023: nil).

15 CAPITAL AND RESERVES

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total shareholders' funds £'000
At 1 January 2024	10,411	58,615	5,414	1,472,587	40,452	1,587,479
Losses on investments (see Note 10)	–	–	–	(47,301)	–	(47,301)
Gains on derivative instruments (see Note 11)	–	–	–	35,423	–	35,423
Foreign exchange losses	–	–	–	(2,956)	–	(2,956)
Investment management fees (see Note 4)	–	–	–	(8,634)	–	(8,634)
Finance costs (see Note 6)	–	–	–	(8,309)	–	(8,309)
Revenue return on ordinary activities after taxation for the year	–	–	–	–	42,537	42,537
Dividends paid to shareholders (see Note 9)	–	–	–	–	(35,110)	(35,110)
At 31 December 2024	10,411	58,615	5,414	1,440,810	47,879	1,563,129
At 1 January 2023	10,411	58,615	5,414	1,271,996	34,559	1,380,995
Gains on investments (see Note 10)	–	–	–	165,905	–	165,905
Gains on derivative instruments (see Note 11)	–	–	–	50,441	–	50,441
Foreign exchange losses	–	–	–	(1,464)	–	(1,464)
Investment management fees (see Note 4)	–	–	–	(7,877)	–	(7,877)
Finance costs (see Note 6)	–	–	–	(6,414)	–	(6,414)
Revenue return on ordinary activities after taxation for the year	–	–	–	–	38,101	38,101
Dividends paid to shareholders (see Note 9)	–	–	–	–	(32,208)	(32,208)
At 31 December 2023	10,411	58,615	5,414	1,472,587	40,452	1,587,479

The capital reserve balance at 31 December 2024 includes investment holding gains of £482,566,000 (2023: gains of £575,415,000) as detailed in Note 10. See Note 2 (q) for further details. The revenue and capital reserves are distributable by way of dividends.

16 NET ASSET VALUE PER ORDINARY SHARE

The calculation of the net asset value per ordinary share is based on the total shareholders' funds divided by the number of ordinary shares held outside of Treasury.

	2024	2023
Total shareholders' funds	£1,563,129,000	£1,587,479,000
Ordinary shares held outside of Treasury at year end	408,730,523	408,730,523
Net asset value per ordinary share	382.44p	388.39p

It is the Company's policy that shares held in Treasury will only be reissued at net asset value per ordinary share or at a premium to net asset value per ordinary share and, therefore, shares held in Treasury have no dilutive effect.

17 FINANCIAL INSTRUMENTS

Management of risk

The Company's investing activities in pursuit of its investment objective involve certain inherent risks. The Board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Board with the assistance of the Manager, has developed a risk matrix which, as part of the internal control process, identifies the risks that the Company faces. Principal risks identified are: geopolitical, economic and market; investment performance (including the use of gearing and derivatives); legislation, taxation and regulatory; marketplace threats and competition; cybercrime and information security; business continuity; key person and operational support; discount control; and environmental, social and governance ("ESG"). Risks are identified and graded in this process, together with steps taken in mitigation, and are updated and reviewed on an ongoing basis. These risks and how they are identified, evaluated and managed are shown in the Strategic Report above.

This note refers to the identification, measurement and management of risks potentially affecting the value of financial instruments. The Company's financial instruments may comprise:

- Equity shares held in accordance with the Company's investment objective and policies;
- Derivative instruments which comprise CFDs and futures on equity indices; and
- Cash, liquid resources and short-term debtors and creditors that arise from its operations.

The risks identified arising from the Company's financial instruments are market price risk (which comprises interest rate risk, foreign currency risk and other price risk), liquidity risk, counterparty risk, credit risk and derivative instrument risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies are consistent with those followed last year.

MARKET PRICE RISK

Interest rate risk

The Company finances its operations through its share capital and reserves. In addition, the Company has gearing through the use of derivative instruments. The level of gearing is reviewed by the Board and the Lead Portfolio Manager. The Company is exposed to a financial risk arising as a result of any increases in interest rates associated with the funding of the derivative instruments.

Interest rate risk exposure

The values of the Company's financial instruments that are exposed to movements in interest rates are shown below:

	2024 £'000	2023 £'000
Exposure to financial instruments that bear interest		
Long CFDs – exposure less fair value	201,334	202,374
Exposure to financial instruments that earn interest		
Short CFDs – exposure plus fair value	–	12,878
Amounts held at futures clearing houses and brokers	10,078	8,384
Cash and cash equivalents	63,042	52,804
	73,120	74,066
Net exposure to financial instruments that bear interest	128,214	128,308

Foreign currency risk

The Company's net return/(loss) on ordinary activities after taxation for the year and its net assets can be affected by foreign exchange rate movements because the Company has income, assets and liabilities which are denominated in currencies other than the Company's functional currency which is UK sterling. The Company can also be subject to short-term exposure from exchange rate movements, for example, between the date when an investment is purchased or sold and the date when settlement of the transaction occurs.

Three principal areas have been identified where foreign currency risk could impact the Company:

- Movements in exchange rates affecting the value of investments and derivative instruments;
- Movements in exchange rates affecting short-term timing differences; and
- Movements in exchange rates affecting income received.

Currency exposure of financial assets

The currency exposure profile of the Company's financial assets is shown below:

	Investments held at fair value £'000	Long exposure to derivative instruments £'000	Debtors ¹ £'000	Cash and cash equivalents ² £'000	2024 Total £'000
Currency					
Euro	917,732	213,759	4,309	63,042	1,198,842
Swiss franc	295,505	–	3,752	–	299,257
Danish krone	85,263	–	341	–	85,604
Swedish krona	92,286	–	–	–	92,286
US dollar	–	37,643	–	–	37,643
Norwegian krone	25,629	–	–	–	25,629
UK sterling	71,357	–	11,182	–	82,539
	1,487,772	251,402	19,584	63,042	1,821,800

1 Debtors include amounts held at futures clearing houses and brokers.

2 Cash and cash equivalent are made up of £3,460,000 cash at bank and £59,582,000 held in Fidelity Institutional Liquidity Fund.

	Investments held at fair value £'000	Long exposure to derivative instruments £'000	Debtors ¹ £'000	Cash and cash equivalents ² £'000	Total £'000
Currency					
Euro	877,629	228,019	6,389	52,691	1,164,728
Swiss franc	357,739	–	3,947	–	361,686
Danish krone	96,102	–	465	–	96,567
Swedish krona	93,135	–	–	–	93,135
US dollar	–	36,418	–	113	36,531
Norwegian krone	25,052	–	–	–	25,052
UK sterling	69,218	–	9,032	–	78,250
	-----	-----	-----	-----	-----
	1,518,875	264,437	19,833	52,804	1,855,949
	=====	=====	=====	=====	=====

1 Debtors include amounts held at futures clearing houses and brokers.

2 Cash and cash equivalent are made up of £3,900,000 cash at bank and £48,904,000 held in Fidelity Institutional Liquidity Fund.

Currency exposure of financial liabilities

The currency profile of the Company's financial liabilities is shown below:

	Short exposure to derivative instruments £'000	Other creditors £'000	Total £'000
Currency			
Euro	–	200	200
US dollar	–	78	78
UK sterling	–	1,195	1,195
	-----	-----	-----
	–	1,473	1,473
	=====	=====	=====
			2023
Currency			
Euro	12,736	245	12,981
US dollar	–	48	48
UK sterling	–	1,105	1,105
	-----	-----	-----
	12,736	1,398	14,134
	=====	=====	=====

Other price risk

Other price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Board meets quarterly to consider the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective. The Portfolio Managers are responsible for actively monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seek to ensure that individual stocks also meet an acceptable risk/reward profile.

Liquidity risk

Due to the closed-ended nature of the Company, the liquidity risk is limited. Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company's assets mainly comprise readily realisable securities and derivative instruments which can be sold easily to meet funding commitments if necessary. Short-term flexibility is achieved by the use of a bank overdraft, if required.

Liquidity risk exposure

At 31 December 2024, the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £5,796,000 (2023: £3,521,000) and creditors of £1,473,000 (2023: £1,398,000).

Counterparty risk

Certain derivative instruments in which the Company invests are not traded on an exchange but instead will be traded between counterparties based on contractual relationships, under the terms outlined in the International Swaps and Derivatives Association's ("ISDA") market standard derivative legal documentation. These are known as Over The Counter ("OTC") trades. As a result, the Company is subject to the risk that a counterparty may not perform its obligations under the related contract. In accordance with the risk management process which the Manager employs, this risk is minimised by only entering into transactions with counterparties which are believed to have an adequate credit rating at the time the transaction is entered into, by ensuring that formal legal agreements covering the terms of the contract are entered into in advance, and through adopting a counterparty risk framework which measures, monitors and manages counterparty risk by the use of internal and external credit agency ratings and by evaluating derivative instrument credit risk exposure.

	31 December 2024		31 December 2023	
	Collateral received £'000	Collateral pledged £'000	Collateral received £'000	Collateral pledged £'000
Goldman Sachs International Ltd	–	–	–	810
J.P. Morgan Securities plc	–	5,025	–	2,460
UBS AG	50	5,053	60	5,114
	-----	-----	-----	-----
	50	10,078	60	8,384
	=====	=====	=====	=====

Credit risk

Financial instruments may be adversely affected if any of the institutions with which money is deposited suffer insolvency or other financial difficulties. All transactions are carried out with brokers that have been approved by the Manager and are settled on a delivery versus payment basis. Limits are set on the amount that may be due from any one broker and are kept under review by the Manager. Exposure to credit risk arises on unsettled security transactions and derivative instrument contracts and cash at bank.

Derivative instrument risk

The risks and risk management processes which result from the use of derivative instruments, are set out in a documented Risk Management Process Document. Derivative instruments are used by the Manager for the following purposes:

- to gain unfunded long exposure to equity markets, sectors or single stocks. Unfunded exposure is exposure gained without an initial flow of capital; and
- to position short exposures in the Company's portfolio. These uncovered exposures benefit from falls in the prices of shares which the Portfolio Managers believe to be overvalued. These positions, therefore, distinguish themselves from other short exposures held for hedging purposes since they are expected to add risk to the portfolio.

RISK SENSITIVITY ANALYSIS**Interest rate risk sensitivity analysis**

Based on the financial instruments held and interest rates at 31 December 2024, an increase of 1.00% in interest rates throughout the year, with all other variables held constant, would have decreased the net return on ordinary activities after taxation for the year and decreased the net assets of the Company by £1,282,000 (2023: decreased the net return and decreased the net assets by £1,283,000). A decrease of 1.00% in interest rates throughout the year would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis

Based on the financial instruments held and currency exchange rates at the Balance Sheet date, a 10% strengthening of the UK sterling exchange rate against foreign currencies, with all other variables held constant, would have decreased the Company's net return on ordinary activities after taxation for the year and decreased the Company's net assets (2023: decreased the net return and decreased the net assets) by the following amounts:

	2024	2023
	£'000	£'000
Currency		
Euro	108,967	104,704
Swiss franc	27,205	32,881
Swedish krona	8,390	8,467
Danish krone	7,782	8,779
US dollar	3,415	3,317
Norwegian krone	2,330	2,277
	-----	-----
	158,089	160,425
	=====	=====

Based on the financial instruments held and currency exchange rates at the Balance Sheet date, a 10% weakening of the UK sterling exchange rate against foreign currencies, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the Company's net assets (2023: increased the net return and increased the net assets) by the following amounts:

	2024	2023
	£'000	£'000
Currency		
Euro	133,182	127,972
Swiss franc	33,251	40,187
Swedish krona	10,254	10,348

Danish krone	9,512	10,730
US dollar	4,174	4,054
Norwegian krone	2,848	2,784
	-----	-----
	193,221	196,075
	=====	=====

Other price risk – exposure to investments sensitivity analysis

Based on the investments held and share prices at 31 December 2024, an increase of 10% in share prices, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £148,777,000 (2023: increased the net return and increased the net assets by £151,888,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Other price risk – net exposure to derivative instruments sensitivity analysis

Based on the derivative instruments held and share prices at 31 December 2024, an increase of 10% in the share prices underlying the derivative instruments, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £25,140,000 (2023: increased the net return and increased the net assets by £25,170,000). A decrease of 10% in share prices of the investments underlying the derivative instruments would have had an equal and opposite effect.

Fair Value of Financial Assets and Liabilities

Financial assets and liabilities are stated in the Balance Sheet at values which are not materially different to their fair values. As explained in Notes 2 (k) and (l), investments and derivative instruments are shown at fair value. In the case of cash and cash equivalents, book value approximates to fair value due to the short maturity of the instruments.

Fair Value Hierarchy

The Company is required to disclose the fair value hierarchy that classifies its financial instruments measured at fair value at one of three levels, according to the relative reliability of the inputs used to estimate the fair values.

Classification	Input
Level 1	Valued using quoted prices in active markets for identical assets
Level 2	Valued by reference to inputs other than quoted prices included in level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly
Level 3	Valued by reference to valuation techniques using inputs that are not based on observable market data

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 valuation techniques used by the Company are explained in Notes 2 (k) and (l). The table below sets out the Company's fair value hierarchy.

	Level 1	Level 2	Level 3	2024
	£'000	£'000	£'000	Total
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit or loss				
Investments	1,487,772	–	–	1,487,772
Derivative instrument assets	–	–	–	–
	-----	-----	-----	-----
	1,487,772	–	–	1,487,772
	=====	=====	=====	=====
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	(1,121)	(4,675)	–	(5,796)
	=====	=====	=====	=====
	Level 1	Level 2	Level 3	2023
	£'000	£'000	£'000	Total
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit or loss				
Investments	1,518,875	–	–	1,518,875
Derivative instrument assets	–	886	–	886
	-----	-----	-----	-----
	1,518,875	886	–	1,519,761
	=====	=====	=====	=====
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	(348)	(3,173)	–	(3,521)
	=====	=====	=====	=====

18 CAPITAL RESOURCES AND GEARING

The Company does not have any externally imposed capital requirements. The financial resources of the Company comprise its share capital and reserves, as disclosed in the Balance Sheet above, and any gearing, which is managed by the use of

derivative instruments. Financial resources are managed in accordance with the Company's investment policy and in pursuit of its investment objective, both of which are detailed in the in the Annual Report. The principal risks and their management are disclosed in the Strategic Report above and in Note 17.

The Company's gross gearing and net gearing at the year end is set out below:

	2024			
	Gross gearing		Net gearing	
	Asset exposure £'000	% ¹	Asset exposure £'000	% ¹
Investments	1,487,772	95.2	1,487,772	95.2
Long CFDs	196,659	12.6	196,659	12.6
Long futures	54,743	3.5	54,743	3.5
Total long exposures	1,739,174	111.3	1,739,174	111.3
Short CFDs	–	–	–	–
Gross asset exposure/net market exposure	1,739,174	111.3	1,739,174	111.3
Shareholders' funds	1,563,129		1,563,129	
Gearing²		11.3		11.3

1 Asset exposure to the market expressed as a percentage of shareholders' funds.

2 Gearing is the amount by which gross asset exposure/net market exposure exceeds shareholders' funds expressed as a percentage of shareholders' funds.

	2023			
	Gross gearing		Net gearing	
	Asset exposure £'000	% ¹	Asset exposure £'000	% ¹
Investments	1,518,875	95.6	1,518,875	95.6
Long CFDs	199,945	12.6	199,945	12.6
Long futures	64,492	4.1	64,492	4.1
Total long exposures	1,783,312	112.3	1,783,312	112.3
Short CFDs	12,736	0.8	(12,736)	(0.8)
Gross asset exposure/net market exposure	1,796,048	113.1	1,770,576	111.5
Shareholders' funds	1,587,479		1,587,479	
Gearing²		13.1		11.5

1 Asset exposure to the market expressed as a percentage of shareholders' funds.

2 Gearing is the amount by which gross asset exposure/net market exposure exceeds shareholders' funds expressed as a percentage of shareholders' funds.

19 TRANSACTIONS WITH THE MANAGERS AND RELATED PARTIES

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management and the role of company secretary to FIL Investments International ("FIL"). Both companies are Fidelity group companies.

Details of the current fee arrangements are given in the Directors' Report in the Annual Report and in Note 4. During the year, fees for portfolio management services of £11,512,000 (2023: £10,502,000) were payable to FIL. At the Balance Sheet date, fees for portfolio management services of £972,000 (2023: £925,000) were accrued and included in other creditors. FIL also provides the Company with marketing services. The total amount payable for these services during the year was £221,000 (2023: £260,000). At the Balance Sheet date, marketing services of £53,000 (2023: £14,000) were accrued and included in other creditors.

Disclosures of the Directors' interests in the ordinary shares of the Company and Directors' fees and taxable expenses relating to reasonable travel expenses paid to the Directors are given in the Directors' Remuneration Report in the Annual Report. In addition to the fees and taxable expenses disclosed in the Directors' Remuneration Report, £20,000 (2023: £17,000) of Employers' National Insurance Contributions was also paid by the Company. As at 31 December 2024, Directors' fees of £22,000 (2023: £14,000) were accrued and payable.

ALTERNATIVE PERFORMANCE MEASURES

The Company uses the following as Alternative Performance Measures and these are all defined in the Glossary of Terms in the Annual Report.

DISCOUNT/PREMIUM

The discount/premium is the difference between the net asset value (“NAV”) per ordinary share of the Company and the ordinary share price and is expressed as a percentage of the NAV per ordinary share. Details of the Company’s discount are on the Financial Highlights in the Annual Report.

GEARING

See Note 18 above for details of the Company’s gearing (both gross and net).

NET ASSET VALUE (“NAV”) PER ORDINARY SHARE

See the Balance Sheet and Note 16 above for further details of the Company’s NAV per ordinary share.

ONGOING CHARGES RATIO

The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of management fees and other expenses expressed as a percentage of the average net assets throughout the year.

	2024	2023
Investment management fees (£'000)	11,512	10,502
Other expenses (£'000)	1,063	967
	-----	-----
Ongoing charges (£'000)	12,575	11,469
	=====	=====
Ongoing charges ratio	0.76%	0.77%
	=====	=====

REVENUE, CAPITAL AND TOTAL RETURNS PER SHARE

See the Income Statement and Note 8 above for further details on the revenue, capital and total returns per ordinary share.

TOTAL RETURN PERFORMANCE

The NAV per ordinary share total return performance includes reinvestment of the dividend in the NAV of the Company on the ex-dividend date. The ordinary share price total return performance includes the reinvestment of the net dividend in the month that the share price goes ex-dividend.

The tables below provide information relating to the NAV per ordinary share and the ordinary share price of the Company, the impact of the dividend reinvestments and the total returns for the years ended 31 December 2024 and 31 December 2023.

	Net asset value per ordinary share	Ordinary share price
2024		
31 December 2023	388.39p	360.00p
31 December 2024	382.44p	352.00p
Change in year	-1.5%	-2.2%
Impact of dividend reinvestments	+2.0%	+2.1%
	-----	-----
Total return for the year	+0.5%	-0.1%
	=====	=====
2023		
31 December 2022	337.87p	319.50p
31 December 2022	388.39p	360.00p
Change in year	+15.0%	+12.7%
Impact of dividend reinvestments	+2.5%	+2.6%
	-----	-----
Total return for the year	+17.5%	+15.3%
	=====	=====

The Annual Financial Report Announcement is not the Company's statutory accounts. The above results for the year ended 31 December 2024 are an abridged version of the Company's full Annual Report and Financial

Statements, which have been approved and audited with an unqualified report. The 2023 and 2024 statutory accounts received unqualified reports from the Company's Auditor and did not include any reference to matters to which the Auditor drew attention by way of emphasis without qualifying the reports and did not contain a statement under s.498 of the Companies Act 2006. The financial information for 2023 is derived from the statutory accounts for 2023 which have been delivered to the Registrar of Companies. The 2024 Financial Statements will be filed with the Registrar of Companies in due course.

A copy of the Annual Report will shortly be submitted to the National Storage Mechanism and will be available for inspection at: www.morningstar.co.uk/uk/NSM

The Annual Report will be posted to shareholders later this month and additional copies will be available from the registered office of the Company and on the Company's website: www.fidelity.co.uk/europe where up to date information on the Company, including daily NAV and share prices, factsheets and other information can also be found.

Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

ENDS