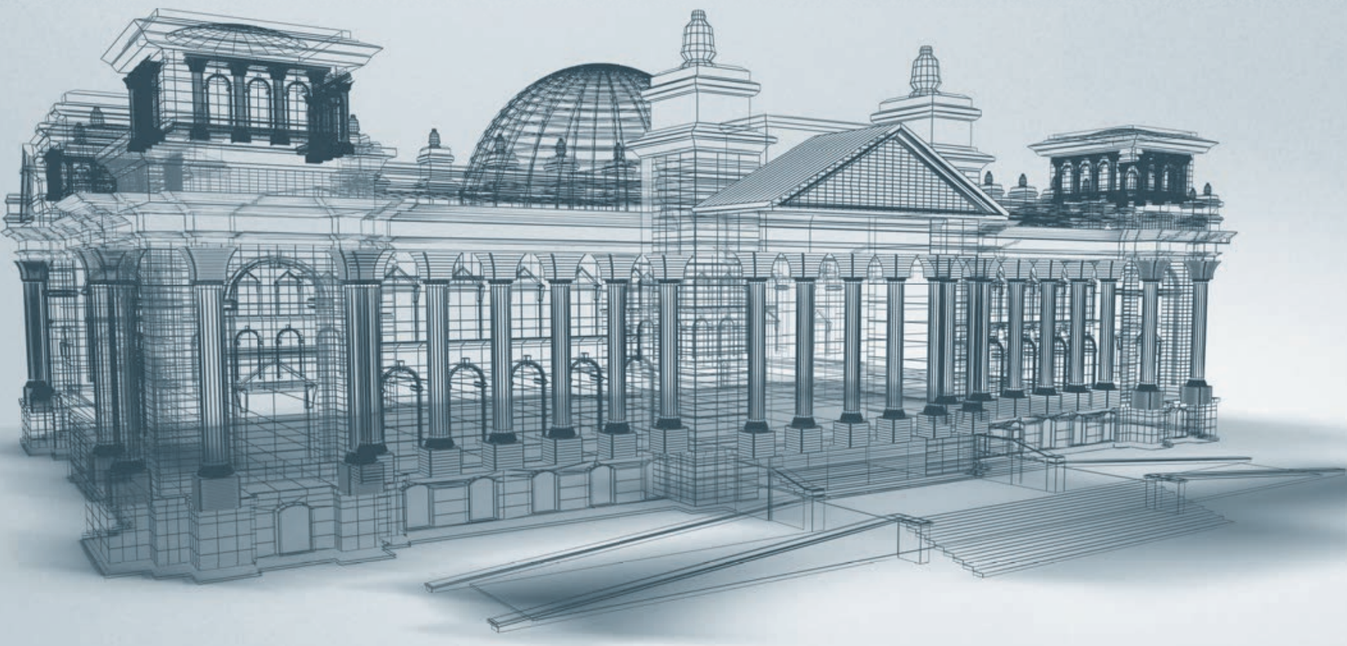
HENDERSON EUROPEAN FOCUS TRUST PLC

Annual Report 2014



MANAGED BY
Henderson
GLOBAL INVESTORS

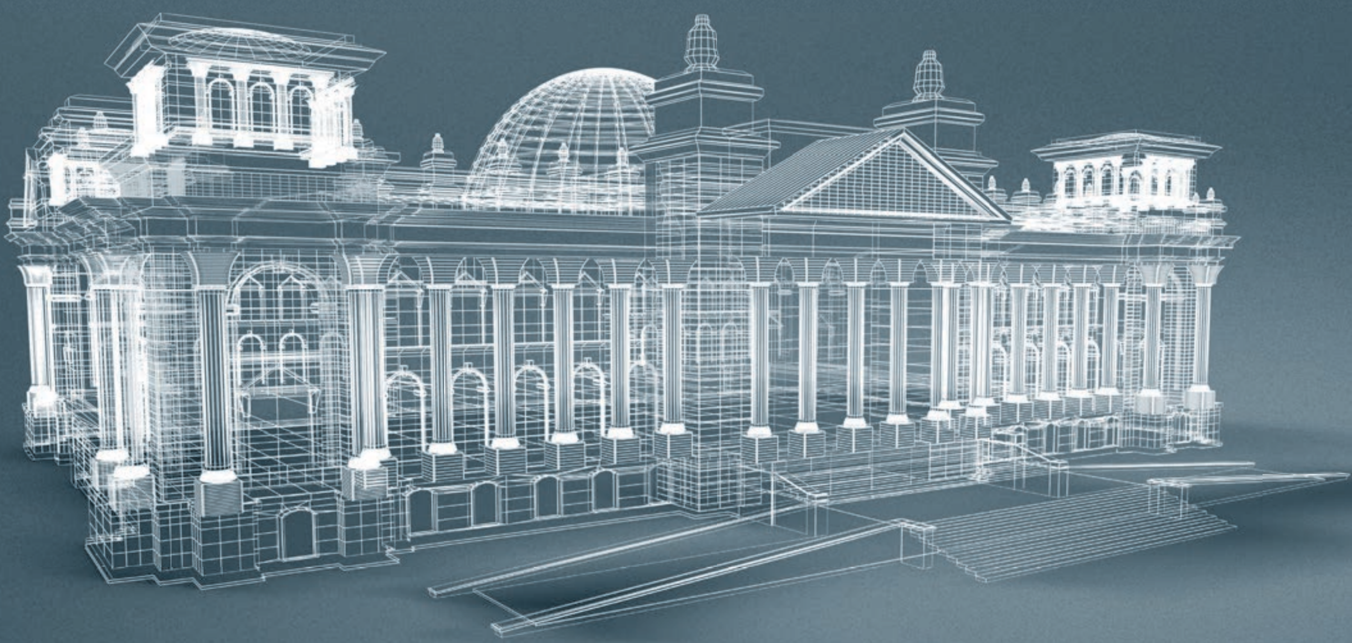
Contents

The image on the front cover is based on the Reichstag building, Berlin.

Strategic Report

"Our Fund Manager's focus on blending attractively valued sector themes with stock specifics remains at the very heart of our portfolio strategy and we are confident that the Company is well placed to make continued progress on behalf of shareholders."

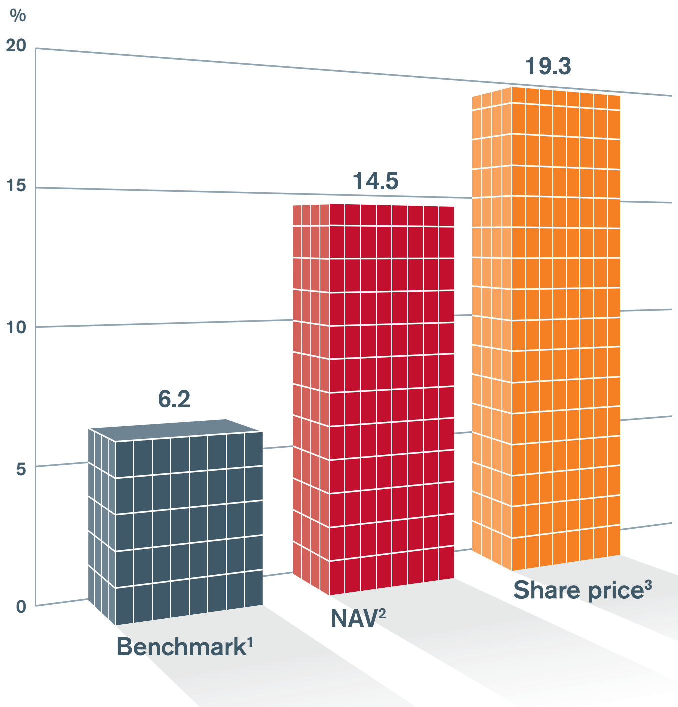
Rodney Dennis, Chairman



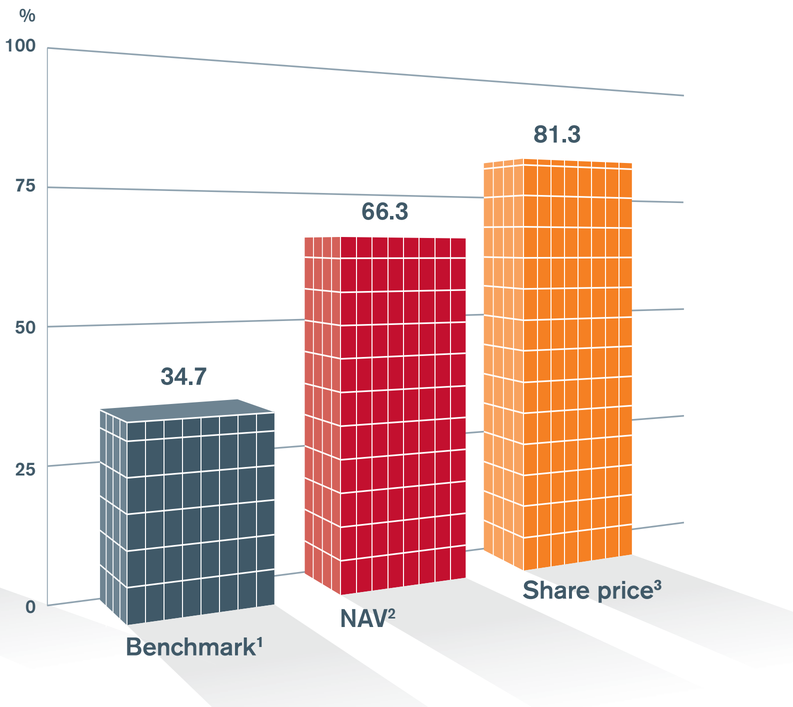
Strategic Report: Performance Highlights

Total return performance to 30 September 2014

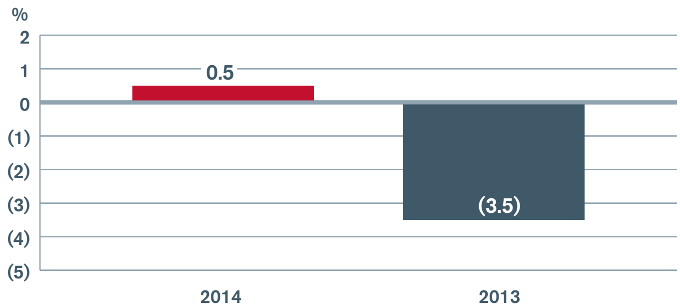
One year



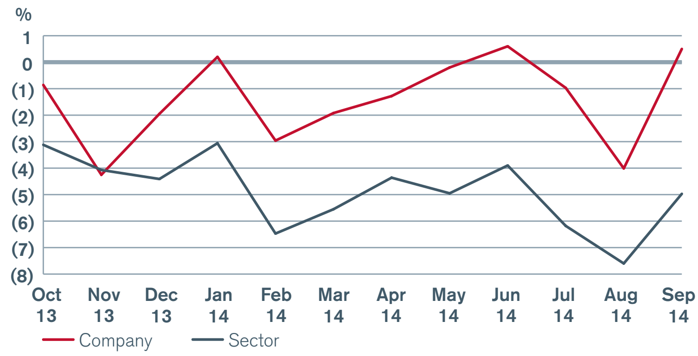
Five years



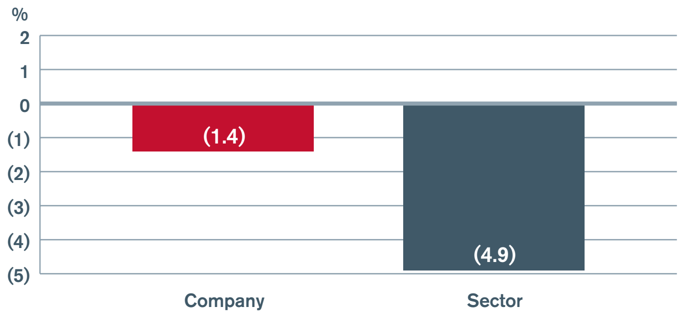
Premium/(discount) at year end[4]



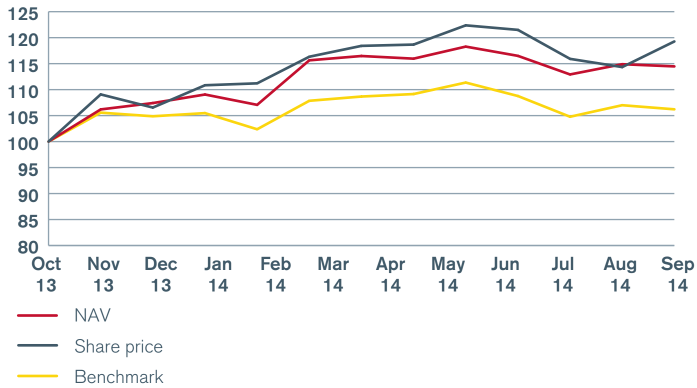
Premium/(discount)[6]



Average premium/(discount) for year[5]



NAV and share price performance versus the benchmark[7]



Strategic Report: Performance Highlights (continued)

NAV per share at year end

2014 **956.66p**

2013 861.48p

Share price at year end

2014 **962.00p**

2013 831.50p

Dividend for year[8]

2014 **23.45p**

2013 21.30p

Dividend yield[9]

2014 **2.4%**

2013 2.5%

Ongoing charge for year[10]

2014 **0.88%**

2013 1.10%

Gearing at year end

2014 **7.7%**

2013 11.6%

Number of investments at year end

2014 **51**

2013 53

Performance fee paid

2014 **£1.17m**

2013 £0.09m

1 FTSE World Europe ex UK Index on a total return basis in sterling terms
2 Net asset value total return (including dividends reinvested)
3 Share price total return
4 Calculated using published daily NAVs including current year revenue
5 Average discounts include revenue and are sourced from Morningstar for the AIC
6 Graph shows the Company's share price discount/premium to NAV compared with the average discount/premium of the AIC Europe sector over the year to 30 September 2014
7 Graph shows the Company's net asset value total return and share price total return compared to the total return of the benchmark over the year to 30 September 2014
8 Consisting of an interim dividend of 6.0p paid in June 2014 and a recommended final dividend of 17.45p due for payment in February 2015
9 Based on the dividends paid or recommended for the year and the share price at the year end
10 The ongoing charge excludes the performance fee. The charge including the performance fee would have been 1.59% (2013: 1.17%)
Sources: Morningstar Funddata, Henderson, Datastream

Strategic Report: Business Model

Investment objective

The Company seeks to maximise total return from a focused portfolio of listed Continental European stocks.

Investment policy

Asset allocation

The portfolio is unconstrained by benchmark and contains between 50 to 60 holdings at any one time. While awareness of benchmark constituents and sector weightings inform portfolio construction, actual weightings of stocks held in the Company's portfolio are based upon Henderson's view of their total return prospects rather than their weighting in the benchmark, therefore the stock weighting in the portfolio can be materially higher or lower than the benchmark weighting. The aim is to seek out inflection points at both stock and sector level where growth can be purchased at a reasonable price. Less emphasis is given to geographical diversification. The portfolio is not constructed with a yield target. Derivative instruments (such as futures and options) may be used for investment purposes for up to 10% of net assets.

The portfolio has a bias to larger capitalised companies but may be invested in the equity of mid and smaller capitalised companies. The exposure to smaller capitalised stocks is normally limited to 10% of net asset value ("NAV"). Smaller capitalised companies are considered to be those with a market capitalisation of less than €1 billion at the time of investment.

Risk diversification

The Company is invested in a diversified portfolio of investments containing between 50 to 60 stocks, with a maximum single stock weighting of 10% of NAV of the portfolio at the time of investment. Stocks weighted at 5% of the portfolio or more are not expected to exceed 40% of NAV in aggregate and the typical minimum stock weight is 1% of NAV.

Gearing

The Company has the power to borrow and does so on a tactical basis when Henderson is confident that market conditions and opportunities exist to enhance investment returns by using gearing. Henderson has discretion to borrow within limits set by the Board from time to time but gearing will not exceed 20% of net assets at the time the borrowing is assumed.

Strategy

The Company's strategy is to meet its investment objective. This is achieved through the appointment of external management which operates in accordance with the Company's investment policy.

Management

The Company has appointed Henderson Investment Funds Limited ("HIFL") to act as its Alternative Investment Fund Manager in accordance with an agreement which was effective from 22 July 2014 and is terminable on six months' notice. HIFL delegates investment management services to Henderson Global Investors Limited. Prior to 22 July 2014 Henderson Global Investors Limited was appointed as Investment Manager. Both entities are authorised and regulated by the Financial Conduct Authority ("FCA"). References to Henderson within this report refer to the services provided by both entities.

The fund management team is led by John Bennett, who has been in place since October 2010.

Henderson and its subsidiaries also provide accounting, company secretarial and general administrative services. Some of the administration and accounting services are carried out, on behalf of Henderson, by BNP Paribas Securities Services. Debbie Fish FCIS acts as Company Secretary on behalf of the Corporate Secretary, Henderson Secretarial Services Limited.

Henderson receives a management fee of 0.65% per annum, calculated monthly in arrears on the value of the Company's net assets. An additional management fee based on performance is payable if Henderson meets certain targets for the year. The performance fee is charged when the NAV percentage increase over the year is greater than the percentage increase in the benchmark index (the FTSE World Europe ex UK Index on a total return basis in sterling terms), plus a hurdle of 1%. Henderson is entitled to 15% of the NAV outperformance of the benchmark index above the hurdle (excluding the effect of share buy-backs, allotments or sales from treasury), subject to the maximum amount payable in any one year in respect of the management fee and the performance fee being 1.3% of net assets at the year end. Underperformance is carried forward and must be made up before any further performance fee can be paid. Any excess performance is carried forward and can be set against underperformance but not used to earn or enhance a performance fee payment. Each annual performance related fee is calculated based on the relevant figures for the financial year as audited and published in the relevant annual report.

Strategic Report: Chairman's Statement

The Chairman of the Company, Rodney Dennis, reports on the year to 30 September 2014

Performance

In the financial year to 30 September 2014 the Company produced a net asset value ("NAV") per share total return of 14.5%. This compares to a total return of 6.2% for the FTSE World Europe ex UK Index in sterling terms. The Company's share price total return was 19.3%. As a result of this performance, the Company will be paying a performance fee to Henderson for the year of £1,171,000 (2013: £87,000).

The Board is proud that in recognition of this outperformance the Company has earned a coveted silver Morningstar rating this year and was named European Equity Fund of the Year at the Investment Adviser 100 Club Awards 2014 and Best European Investment Trust at the Investment Week Investment Company Awards.

The Company's shares traded in a tight range relative to NAV, alternating between phases of modest discount and premium. This enabled the Company to sell shares from treasury during the year, at a premium to the prevailing NAV, in order to satisfy demand in the market from investors. Thus the amount of shares in treasury fell from 1,284,230 to 330,730 by the year end. The Board remains committed to the active monitoring of the rating of the shares relative to NAV.

Dividend

The Board is recommending a final dividend of 17.45p per share which, subject to shareholder approval, will be paid on 6 February 2015. When added to the interim payment of 6.0p this brings the full year dividend to 23.45p, an increase of 10.1% over last year's distribution. Shareholders will note that we have made a modest contribution from the revenue reserve. This reserve, combined with the dividend generation capability of the underlying portfolio holdings, underpins the Board's confidence in continuing the Company's progressive dividend policy.

Board changes

Alain Dromer was appointed to the Board with effect from 1 April 2014. He is an experienced financial services executive director with over 25 years' experience in asset management, insurance and capital markets in the UK and Europe, together with nearly 10 years' experience with the French Treasury. The Directors are delighted to welcome Alain to the Board.

Jean Claude Banon has indicated that he wishes to stand down from the Board with effect from the close of the annual general meeting in 2015. Jean Claude has served the Board with distinction over many years and the Board will miss his many and varied contributions, particularly in the area of marketing, which have played a significant part in the success of the Company. We all wish Jean Claude every success in his future endeavours.

Annual general meeting ("AGM")

At the AGM on 30 January 2015, the Directors will again be seeking to renew the authorities previously granted to allot and to buy-back shares for cancellation or to be held in treasury. The passing of these resolutions will continue to provide the Board with flexibility to add shareholder value should the opportunity arise. Shareholders are also being asked to renew the authority to call general meetings at short notice. Further details are provided in a separate letter to shareholders which includes the notice of AGM. I hope you will give these resolutions your full consideration and support.

Regulatory

In accordance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Company has appointed Henderson Investment Funds Limited to act as its Alternative Investment Fund Manager. HSBC Bank plc has been appointed as the Company's depositary. Legal costs of just over £6,000 were incurred in relation to the necessary legal documentation and the appointment of a depositary will add a little to the annual running costs of your Company.

Outlook

In last year's report I noted that investors continue to face a tug of war between macro and micro. When it comes to Europe one can only say "plus ca change". The past year has provided yet more examples of the same: prime among this year's reasons to be fearful include anxieties ranging from Russia's annexation of Crimea and associated activities in Ukraine to the increasingly dismal economic performance in Italy and France. It is at such times that we are reminded of the adage that the stockmarket is not the economy. Indeed, it is worth reminding investors that the Company typically invests in a portfolio of between 50 and 60 stocks. This represents less than 10% of our targeted investment universe. Thus, sector and stock selection remain far more important drivers of our Fund Manager's decisions than macro concerns. This is just as well: few stock-picking managers demonstrate a sustainable competitive advantage in the art of macro guesswork.

At the political, and indeed monetary, level, Continental Europe has differentiated itself from the USA and UK. The latter have demonstrated a decisive willingness to cleanse their respective banking sectors, liberate their product and labour markets and, of course, bloat their central bank balance sheets. Europe, on the other hand, has eschewed monetary and fiscal stimulus in favour of internal revaluations to rebalance the Eurozone. We would expect further strain from this approach in the year ahead. Europe is determined to apply discipline to force reform on the Union. This strategy runs significant risks and history has shown that it may take

Strategic Report: Chairman's Statement (continued)

a crisis to force a change of course. In particular unless Germany begins to hurt economically, it is unlikely that a change of strategy will occur. In the event that fiscal policy is loosened in Germany there will be a large sigh of relief from neighbouring France and Italy, both persisting with incompatible social and economic policies. In this respect, it is a welcome sign that the German economy is now weakening. Might Ms Merkel finally loosen her purse string?

One major source of relief for the European economy would come in the shape of a weaker euro and recent months have offered encouragement in this respect. This, too, provides that reminder to the investor: Europe's stockmarkets house a group of global businesses who happen to have been born in Europe and as such their prospects are not inexorably linked to the European economy.

In the four years since the Company refined its investment strategy to a more focused approach it has produced a total return in NAV terms of 65.7% versus 32.5% by the benchmark index (four years to 30 September 2014). The share price total return has been 85.8%. Thus it has been a fruitful period in stockmarkets and the Company has been able to take full advantage. Your Board and Fund Manager anticipate that the coming year will offer less of a tailwind as far as equity markets are concerned. Valuations are far from the bargain basement and, after all, this bull market is now long in the tooth. Nevertheless, our Fund Manager's focus on blending attractively valued sector themes with stock specifics remains at the very heart of our portfolio strategy and we are confident that the Company is well placed to make continued progress on behalf of shareholders.

Strategic Report: Portfolio Information

Sector exposure at 30 September

As a percentage of the investment portfolio excluding cash

	2014 %	2013 %
Health care	30.4	26.2
Financials	19.3	17.7
Consumer goods	18.9	18.0
Basic materials	9.2	6.7
Industrials	9.2	11.4
Utilities	5.9	–
Oil & gas	2.9	5.0
Technology	2.2	5.9
Consumer services	1.2	7.3
Telecommunications	0.8	1.8

Currency exposure at 30 September

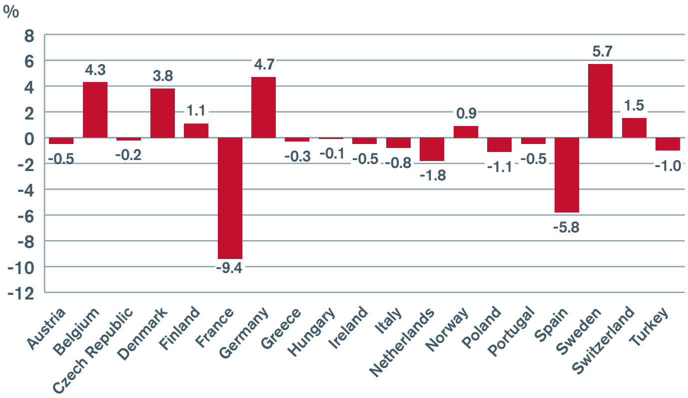
	2014 %	2013 %
Euros	56.0	62.7
Swiss franc	21.5	23.9
Swedish krona	12.3	7.2
Danish kroner	7.4	3.2
Norwegian kroner	2.8	3.0

Geographic exposure at 30 September

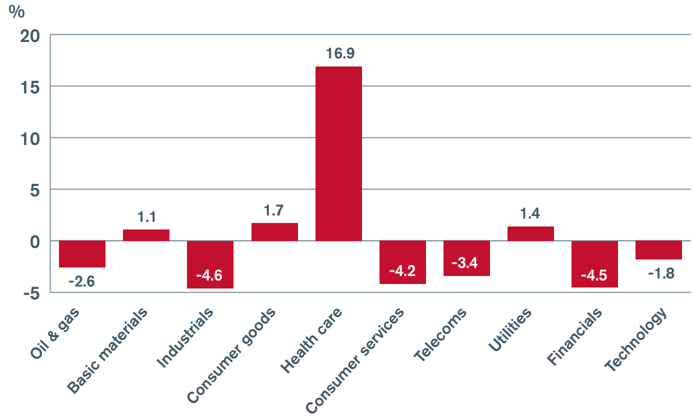
As a percentage of the investment portfolio excluding cash

	2014 %	2013 %
Germany	23.7	17.2
Switzerland	21.5	23.3
Sweden	12.3	12.1
France	11.0	18.9
Denmark	7.4	3.4
Belgium	6.9	3.1
Italy	4.8	3.1
Netherlands	4.4	10.1
Finland	3.1	3.0
Norway	2.8	3.7
Spain	2.1	1.1
Ireland	–	1.0

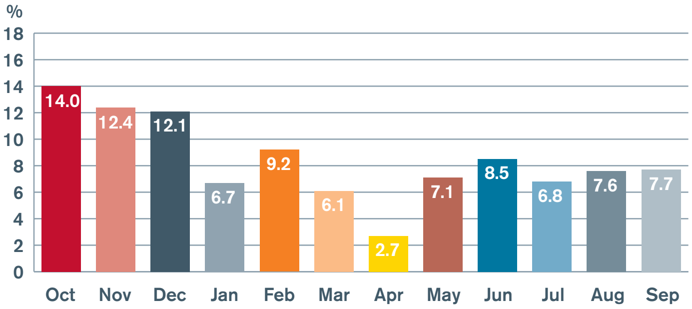
Country underweights/overweights at 30 September 2014



Sector underweights/overweights as at 30 September 2014



Gearing levels over the year to 30 September 2014



Key performance influences[1]

	%
Return of the portfolio of investments	
from sector allocation	+1.54
from stock selection (including currency effect)	+6.22
Impact of gearing (net)	+2.08
Impact of share buybacks or issuance	+0.02
Impact of ongoing charges	-0.88
Impact of performance fee	-0.71
NAV total return relative to the benchmark	+8.27

Sources: Henderson and Factset

1 Relative to the benchmark over the financial year to 30 September 2014

Strategic Report: Fund Manager's Report

The Fund Manager of the portfolio, John Bennett, reports on the year to 30 September 2014

Investors will be well aware that we like to construct portfolios by blending sector themes with stock specifics and we thought it would prove useful in this report to give an update on our current thinking around our key sectors.

Pharmaceuticals

For the fourth year in succession the sector remains the portfolio's single largest position. Given the amount of commentary we have produced over that period we thought we would respect investors' boredom thresholds by resisting any further comment at this time. Suffice to say we remain committed believers that we are in year five of a secular bull market for the industry. At the year end the health care sector accounted for 30.4% of the portfolio compared with 13.5% in the benchmark index.

Banking

Last year this report discussed how we had come back to areas within European equity markets which we had previously shunned. The most significant of these was the Continent's beleaguered banks, a sector firmly stamped "handle with care". While we consider much of the European banking scene to be riddled with overcapacity, questionable asset quality and equally questionable management, we do see hope for a number of selected names. Crucially, these reside in the domestic banking segment, where consolidation and balance sheet cleansing offer the scope for meaningful returns on shareholders' equity. Thus, we retain exposure to Scandinavia, via Nordea and Svenska Handelsbanken, to Spain via Bankinter, and to Benelux via KBC and ING. Most other names we largely view as trading chips. At the year end the financials weighting in the portfolio stood at 19.3%, compared with 23.8% for the benchmark index.

Smart cars

Here, again, is a theme discussed in last year's report. While 2013 was a banner year for most of these stocks, at the risk of a bad mix of metaphors, this has not been a plain sailing year for car component stocks. Indeed, at the time of writing, we have seen a significant sell off in our chosen names, notably Continental and Valeo. We consider this to be profit taking and remain committed to a theme that can best be described as "growth in value places". Our single biggest stock exposure is to Autoliv, which we highlighted in last year's report. All three names aggregate to 7.0% of the portfolio.

German utilities

This is something of a mini theme and is new to the portfolio in 2014. If banks represented an area we were leery of then utilities were truly in our doghouse for many a year. In a similar vein, if pharmaceuticals were contrarian when we identified them as an outstanding investment opportunity five years ago, then German utilities are doghouse material. Here is a sector that really has endured a perfect storm: some of its travails have been self-inflicted, others not. In the former category is surely the egocentric attempts to build empires fashioned from leverage. To be sure, utilities were not alone in leveraging their balance sheets to the hilt in the easy money, "banish the cycle" days of 2005-2007: as we have observed before, when money is easy people do stupid things. And, of course, as we are always reminded, everything in life is cyclical and that's precisely why leverage turns toxic.

External contributors to the German utilities horror show included Ms Merkel's panic response to the Fukushima nuclear incident (she banned all nuclear overnight), the collapse in the coal price (reference American shale and weaker Chinese demand), and Germany's fashion-led mass subsidisation of wind and solar energy. We often say that we are not whites of the eyes investors. In other words, you do not need a tailwind to invest in something: easing headwinds can prove sufficient. Indeed, this was precisely the circumstance prevailing at the time of our commitment to pharmaceutical stocks. Stockmarket participants are expert in inventing a narrative to justify a share price. Thus, after a long period of headwinds, analysts and others will invent reasons why things will never improve: the pharmaceutical industry was allegedly a broken model. Of course it wasn't, it was just very good value. In a similar vein, could Germany's battered and bruised E.ON and RWE be on the verge of some relief? We think so. They'll never be growth stocks but sometimes less bad is good enough.

Smaller companies

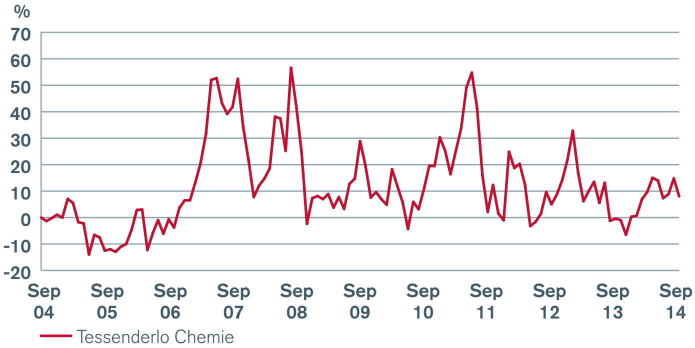
Investors in the Company will be familiar with the fact that our strategy will always be dominated by large capitalisation stocks. That said, one of the beauties of managing a closed end vehicle is that our positions are not subject to the vagaries of cash inflows and outflows. We are thereby able to be patient in building or unwinding a holding. This lends itself particularly well to smaller companies, where liquidity must be a consideration. Our exposure to stocks at the smaller end of the market capitalisation spectrum will always be highly selective and it is worth highlighting just two example names in the portfolio.

Strategic Report: Fund Manager's Report (continued)

Tessenderlo Chemie

(1.6% of portfolio, market cap €663m at 04.11.14)

Tessenderlo Chemie share price total return over ten years (in sterling terms)



Tessenderlo has been known to us for many years. As the above share price chart shows, it's a stock which, euphemistically speaking, tests patience. Buried within this over-diversified Belgian chemicals company is a very attractive asset known as Kerley. This is a business which produces liquid fertilizer for the agricultural market. Kerley has always been considered by us to be the crown jewel of Tessenderlo and we have made this known to successive management teams. Having almost folded our hand owing to the glacial pace of change we have been highly encouraged by the arrival of Belgian entrepreneur Luc Tack. In 2013 Mr Tack, via his company Picanol, bought 27.5% of Tessenderlo's stock from the French government. Following a decisive cost cutting programme, he has subsequently bought a further stake directly. In late summer 2014 the company announced a rights issue to raise up to €200m, a move which we believe will clear the decks and allow Mr Tack to invest and position this company for growth. We have followed suit and increased our holding in the company and will take up our rights. It's never easy going against the history depicted in the share price chart above but we have high hopes that this time it is for real.

Veidekke

(2.8% of portfolio, market cap NOK8.8bn at 04.11.14)

Veidekke share price total return over ten years (in sterling terms)

Norwegian construction company Veidekke is a different beast to Tessenderlo: it is not a patient in recovery. It is unusual in the construction industry in that it has never lost money in more than 70 years of existence. Other attributes we like are its management and employee holdings in the company's stock, its strong position in its home market, its dividend yield and a balance sheet as solid as Stavaenger rock. Indeed we consider the balance sheet too strong and the CEO and CFO of the company are surely tired of our nagging them to hand more cash back to shareholders. Since our own shareholders are interested in a dividend, we consider it reasonable to look for a strongly rising distribution from Veidekke.

Personal holding

During the year my beneficial interest in the Company rose to 259,176 shares.

Strategic Report: Investment Portfolio as at 30 September 2014

Ranking 2014	Ranking 2013	Company	Sector	Country of listing	Valuation 2014 £'000	Percentage of portfolio
1	1	**Roche**	Pharmaceuticals & biotechnology	Switzerland	15,466	8.40
2	2	**Novartis**	Pharmaceuticals & biotechnology	Switzerland	13,100	7.12
3	3	**Bayer**	Pharmaceuticals & biotechnology	Germany	10,575	5.75
4	13	**Novo Nordisk**	Pharmaceuticals & biotechnology	Denmark	8,237	4.48
5	22	**Autoliv**	Automobiles & parts	Sweden	7,646	4.16
6	5	**Nestlé**	Food producers	Switzerland	6,449	3.50
7	21	**Fresenius**	Health care equipment & services	Germany	6,147	3.34
8	–	**RWE**	Gas, water & multiutilities	Germany	5,735	3.12
9	8	**Nordea**	Banks	Sweden	5,217	2.84
10	18	**Veidekke**	Construction & materials	Norway	5,090	2.77
		10 largest			**83,662**	**45.48**
11	–	UCB	Pharmaceuticals & biotechnology	Belgium	4,395	2.39
12	6	Sanofi	Pharmaceuticals & biotechnology	France	4,334	2.36
13	4	AstraZeneca	Pharmaceuticals & biotechnology	Sweden	4,308	2.34
14	48	ING	Life insurance	Netherlands	3,936	2.14
15	–	E.ON	Gas, water & multiutilities	Germany	3,430	1.86
16	20	Continental	Automobiles & parts	Germany	3,384	1.84
17	15	Henkel	Household goods & home construction	Germany	3,334	1.81
18	9	Total	Oil & gas producers	France	3,116	1.69
19	24	BMW	Automobiles & parts	Germany	2,970	1.61
20	44	Tessenderlo Chemie	Chemicals	Belgium	2,960	1.61
		20 largest			**119,829**	**65.13**
21	–	Anheuser Busch	Consumer goods	Belgium	2,838	1.54
22	–	Intesa Sanpaolo	Banks	Italy	2,801	1.52
23	30	BIC	Household goods & home construction	France	2,797	1.52
24	–	UBS	Banks	Switzerland	2,695	1.46
25	34	KBC	Banks	Belgium	2,559	1.39
26	7	BNP Paribas	Banks	France	2,436	1.32
27	53	Svenska Handelsbanken	Banks	Sweden	2,431	1.32
28	35	GEA	Industrial engineering	Germany	2,371	1.29
29	28	Allianz	Nonlife insurance	Germany	2,261	1.23
30	12	Reed Elsevier	Media	Netherlands	2,212	1.20
		30 largest			**145,230**	**78.92**
31	–	ENI	Oil & gas producers	Italy	2,169	1.18
32	–	Wartsila	Industrial engineering	Finland	2,154	1.17
33	–	Societe Generale	Banks	France	2,125	1.15
34	27	Interpump	Industrial engineering	Italy	2,074	1.13
35	–	Caixabank	Banks	Spain	1,996	1.08
36	37	Nokia	Technology hardware & equipment	Finland	1,987	1.08
37	11	ASML	Technology hardware & equipment	Netherlands	1,984	1.08
38	14	Valeo	Automobiles & parts	France	1,900	1.03
39	–	Zurich	Nonlife insurance	Switzerland	1,894	1.03
40	–	Danske Bank	Banks	Denmark	1,866	1.01
		40 largest			**165,379**	**89.86**
41	33	Bankinter	Banks	Spain	1,833	1.00
42	–	A P Moller Maersk	Industrial transportation	Denmark	1,771	0.96
43	52	Fuchs Petrolub	Chemicals	Germany	1,768	0.96
44	–	Enel	Electricity	Italy	1,761	0.96
45	–	Royal Unibrew	Beverages	Denmark	1,759	0.96
46	23	Schneider Electric	Electronic & electrical equipment	France	1,755	0.95
47	–	Peugeot	Automobiles & parts	France	1,744	0.95
48	32	Tikkurila	Construction & materials	Finland	1,639	0.89
49	–	BASF	Chemicals	Germany	1,622	0.88
50	–	Ratos	Financial services	Sweden	1,522	0.83
51	–	Com Hem	Fixed line telecommunications	Sweden	1,466	0.80
		Total listed equity investments at fair value			**184,019**	**100.00**

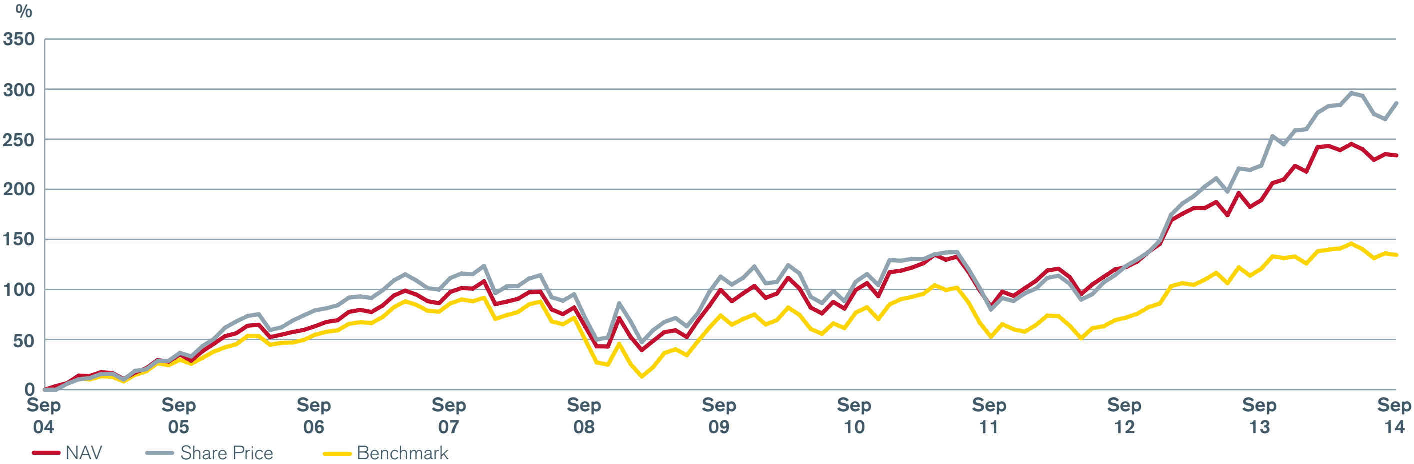
All securities are equity investments

Strategic Report: Historical Performance and Financial Information

Total return performance (including dividends reinvested and excluding transaction costs)

	1 year %	3 years %	5 years %	10 years %
NAV[1]	14.5	80.0	66.3	233.8
Share price[2]	19.3	114.4	81.3	286.0
Benchmark index[3]	6.2	53.4	34.7	134.4
Average sector NAV[4]	7.6	64.5	58.2	181.3
Average sector share price	8.1	76.9	68.9	206.3

Total return performance over the 10 years to 30 September 2014



Financial information

At Date	Net assets £'000	NAV p	Mid-market price per ordinary share p	Profit/(loss) for year £'000	Revenue return p	Capital return p	Total return p	Dividend p	Expenses[7] %
2005[5]	279,605	470.4	421.00	70,345	7.46	110.77	118.23	6.00	–
2006	322,093	555.4	538.00	56,958	8.78	87.57	96.35	12.00	–
2007	219,515	667.8	632.50	58,903	7.12	117.41	124.53	8.00	1.70
2008[6]	161,739	551.3	505.50	(34,115)	15.12	(123.85)	(108.73)	14.00	1.00
2009	176,766	657.0	613.00	30,730	15.63	94.92	110.55	14.00	1.20
2010	144,945	645.9	585.50	(1,584)	15.69	(22.06)	(6.37)	16.50	1.10
2011	103,913	580.0	493.88	(9,750)	18.29	(69.09)	(50.80)	17.75	0.82
2012	115,431	682.2	591.75	19,832	17.49	98.18	115.67	19.00	1.16
2013	145,762	861.5	831.50	33,546	25.37	172.90	198.27	21.30	1.10
2014	**170,988**	**956.7**	**962.00**	**21,010**	**22.14**	**98.38**	**120.52**	**23.45**	**0.88**

1 Net asset value per ordinary share with income reinvested for 1, 3 and 5 years and capital NAV plus income reinvested for 10 years
2 Middle market closing price
3 FTSE World Europe ex UK Index on a total return basis in sterling terms
4 The sector is the AIC Europe sector
5 Net assets and NAV were restated in 2005 to include investments at bid prices. All subsequent years have been calculated using bid prices
6 Revenue return includes 1.45p per ordinary share in respect of VAT recovery on past management fees
7 Using total expense ratio methodology for 2010 and previous years; ongoing charge methodology thereafter. Data is not available for periods prior to 2006 as the calculation was not required before then. The methodology for these calculations exclude performance fees

Sources: Henderson, Morningstar Funddata, Datastream

Strategic Report: Key Information

Directors

The Directors appointed to the Board at the date of this report are:

Rodney Dennis

Position: Chairman of the Board and of the Nomination, Remuneration and Management Engagement Committees
Date of appointment: 11 November 2003 (Chairman on 14 September 2006)
Rodney runs an investment and pensions consulting business. He was formerly deputy chief executive of the Prince's Trust, prior to which he held a number of senior positions at Prudential Portfolio Managers Limited.

Jean Claude Banon

Position: Director
Date of appointment: 18 March 1991
Jean Claude retired in June 2011 from Veolia Environnement SA where he was for many years CEO of some of the group's operations in the UK then representative of the group within the EU institutions in Brussels. He is now developing corporate advisory services.

Alexander Comba

Position: Chairman of the Audit Committee and Senior Independent Director
Date of appointment: 11 November 2003
Alexander is a chartered accountant. He has been group finance director of Vinci PLC, one of the UK's largest construction groups, since 1993.

Alain Dromer

Position: Director
Date of appointment: 1 April 2014
Alain is an experienced financial services executive director. He was previously CEO of Aviva Investors; Global Head of Group Investment Business of HSBC Investments; Head of Asset Management at CCF Credit Commercial de France and Head of Capital Markets of La Compagnie Financiere Edmond de Rothschild Banque. Prior to that he held various roles in the government of France, French Treasury (including Section Head, World Monetary Affairs & IMF and Deputy Head of Office of Financial Markets). He is an independent non-executive director of Santander UK plc and Majid Al Futtaim Trust LLC and an independent member of the board of certain Moody's subsidiaries in Europe, including Moody's Investors Service Limited.

Michael Firth

Position: Director
Date of appointment: 17 November 2006
Michael was previously a non-executive director of Network Rail Limited, Communisis plc, Somerfield plc and First Technology PLC having previously been head of corporate banking at HSBC Bank plc.

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

Strategic Report: Key Information (continued)

Service providers

Alternative Investment Fund Manager
Henderson Investment Funds Limited
201 Bishopsgate
London EC2M 3AE

Depositary and custodian
HSBC Bank plc
8 Canada Square
London E14 5HQ

Independent auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Stockbrokers
Winterflood Investment Trusts
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

Corporate Secretary
Henderson Secretarial Services Limited
201 Bishopsgate
London EC2M 3AE
Telephone: 020 7818 1818

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Telephone: 0871 384 2472
(or +44 121 415 7047 if calling from overseas)
Calls to this number cost 8p per minute plus network extras.
Lines are open 8.30am to 5.30pm, Monday to Friday.

There is a range of shareholder information online.

You can check your holding and find practical help on transferring shares or updating your details at **www.shareview.co.uk**.

Financial calendar

Annual results announced December 2014
Ex dividend date 2 January 2015
Dividend record date 5 January 2015
Annual general meeting[1] 30 January 2015
Final dividend payable on 6 February 2015
Half year results announced May 2015
Interim dividend payable June 2015

Information sources

For more information about the Company, visit the website at **www.hendersoneuropeanfocus.com**.

HGi
HGi is a content platform provided by Henderson that offers a new level of online personalisation where you can "follow" investment experts, topics and the trusts that are of interest to you. By creating your HGi profile you will be updated regularly on the topics that interest you most, bringing you closer to Henderson's investment expertise.

Scan the QR code or use this short URL to register for HGi.
http://HGi.co/rb

Follow us on Twitter
To get the latest updates follow us on Twitter @HGiTrusts

Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website. Individuals holdings shares through Halifax Share Dealing Limited can write to them at Lovell Park Road, Leeds LS1 1NS or contact them via telephone 08457 225 525, email **Henderson@halifax.co.uk** or visit their website **www.halifax.co.uk/sharedealing**.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

1 At the Company's registered office at 2.30 pm

Strategic Report: Corporate Information

Status

The Company is an investment company as defined in Section 833 of the Companies Act 2006 (the "Act") and operates as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 ("Section 1158"), is subject to the Listing Rules and is governed by its articles of association, amendments to which must be approved by shareholders by way of a special resolution. The Company is not a close company.

The Company has obtained approval from HMRC of its status as an investment trust under Section 1158; the Directors are of the opinion that the Company has conducted its affairs in compliance with Section 1158 since approval was granted and intends to continue to do so. The Company is liable to corporation tax on its net revenue profits but is exempt from corporation tax on capital gains if it has complied at all times with Section 1158.

Principal risks and uncertainties

The Board's policy on risk management has not changed from last year. The Directors have put in place processes to identify and manage significant risks to the Company, including internal controls to minimise operational risks. The Board, in conjunction with the Audit Committee, regularly reviews the system of internal controls. These include controls to safeguard the Company's assets and shareholders' investments. The Board has identified its key risks as follows:

Market risk

The Company's performance is dependent on the performance of the companies and markets in which it invests and will also be affected by the strength of currencies in the regions in which it invests relative to sterling. Investment risk is spread by holding a diversified portfolio of companies with strong balance sheets and above average growth prospects. A significant proportion of the holdings in the Company's portfolio may not be represented in the benchmark index. An analysis of the Company's portfolio and geographical weightings compared to the benchmark index is included on page 7.

Gearing

Henderson has authority to use gearing in line with the Company's investment policy. In the event of a significant or prolonged fall in equity markets gearing would exacerbate the effect of the falling market on the Company's NAV and, consequently, its share price.

Other financial risks

The Company minimises the risk of a counterparty failing to deliver securities or cash by dealing through organisations that have undergone rigorous due diligence by Henderson. The Company holds its liquid funds, which are mostly denominated in euros, almost entirely in interest bearing bank accounts in the UK or on short-term deposit. This, together with a portfolio which comprises mainly investments in large and medium-sized companies mitigates the Company's exposure to liquidity risk.

The majority of the Company's assets and liabilities are denominated in currencies other than sterling. No hedging of the currency exposure is currently undertaken. Consequently, exchange rate fluctuations have the potential to reduce or enhance returns for sterling based investors. Exposure to currencies as a percentage of the portfolio as at 30 September 2014 is shown on page 7.

Borrowing

The Company has a secured multicurrency overdraft arrangement with HSBC Bank plc that allows it to borrow up to the lesser of £40 million and 25% of custody assets as and when required. The level of gearing at 30 September 2014 is shown on page 3. The Fund Manager is responsible for deciding on the currency mix of the borrowings and seeks to avoid active currency positions relative to the benchmark. The Board monitors the level of gearing, which is restricted by the Company's investment policy. Borrowing levels are also restricted by financial covenants.

Future developments

While the future performance of the Company is mainly dependent on the performance of international financial markets which are subject to various external factors, the Board's intention is that the Company will continue to pursue its stated investment objective and strategy explained earlier. The Chairman's Statement and Fund Manager's Report provide commentary on the outlook for the Company.

Key performance indicators

In order to measure the success of the Company in meeting its objective and to evaluate the performance of Henderson, the Directors take into account the following key performance indicators ("KPIs"):

The net asset value total return compared with the movement of the FTSE World Europe ex UK Index in sterling terms on a total return basis.

The performance of the Company's ordinary shares and, in particular, the level of discount or premium at which the ordinary shares trade relative to the NAV. The Board has a pragmatic approach to share buy-backs and keeps its policy under review, monitoring liquidity in the Company's shares and the level of discount in comparison to its peers as well as the longer term trends for discounts in the sector.

The costs of running the Company calculated using the AIC ongoing charge methodology.

The charts and tables on pages 2, 3 and 11 show how the Company has performed against these KPIs and the Chairman's Statement and Fund Manager's Report give more information on performance.

Corporate responsibility

Responsible investment

Henderson is responsible for reporting on its work on corporate governance and corporate responsibility (or social, environmental and ethical ("SEE") issues) in the companies in which it invests on its clients' behalf, across all funds as part of its management duties. In May 2005 Henderson became a founding signatory to the United

Strategic Report: Corporate Information (continued)

Nations Principles for Responsible Investment. The Principles, developed under the auspices of the UN Secretary-General, are a voluntary and aspirational framework for incorporating environmental, social and corporate governance ("ESG") issues into mainstream investment decision-making and ownership practices.

The way companies respond to sustainability and corporate responsibility can affect their business performance, both directly and indirectly. An investee company's policy on social responsibility and the environment is considered by Henderson's risk team but investments are not ruled out on social and environmental grounds only.

Voting policy and the UK stewardship code

Henderson's responsible investment policy sets out its approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients and its policy on proxy voting. The policy also sets out how Henderson implements the Stewardship Code. The Company has reviewed the policy and has delegated responsibility for voting to Henderson. The Board receives regular reports on the voting undertaken by Henderson on behalf of the Company. The Board and Henderson believe that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. Voting recommendations are guided by the best interests of the investee companies' shareholders. Depending on the nature of the resolution the Fund Manager will give specific instructions on voting non-routine and unusual or controversial resolutions. Decisions not to support resolutions and the rationale therefor are fed back to the investee company prior to voting.

Practical difficulties may prevent Henderson voting in some markets. In particular, various factors, including restrictions on dealing and costs, may inhibit voting in some international markets and must be taken into account.

The Henderson responsible investment policy and further details of Henderson's responsible investment activities can be found on the Henderson website, **www.henderson.com**.

Employees, social, community, human rights and environmental matters

The Company has no employees and its core activities are undertaken by Henderson, which has implemented environmental management practices, including systems to limit the use of non-renewable resources and to minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste, where possible. The Company has therefore not reported on these, or social, community or human rights issues.

Henderson's corporate responsibility statement is included on the website **www.henderson.com**. In 2012 it was granted CarbonNeutral Company status which it has committed to maintain at least until the end of 2015.

The Company's Annual Report and half year results update are printed on carbon balanced paper, whereby the carbon impact of the production and distribution process has been balanced, or offset, by the World Land Trust, an international conservation charity. Papers for the Company's Board meetings are now mainly circulated electronically rather than in paper form.

Gender representation

The Directors consider diversity when making appointments to the Board, taking into account relevant skills, experience, knowledge and gender. Currently, all of the Company's Directors are male. The Company has no employees and, therefore, there is nothing further to report in respect of gender representation within the Company.

For and on behalf of the Board

Alexander Comba
Director
10 December 2014

Glossary

Alternative Investment Fund Managers Directive ("AIFMD")

Agreed by the European Parliament and the Council of the European Union and transposed into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds ("AIFs") and requires them to appoint an Alternative Investment Fund Manager ("AIFM") and depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

Association of Investment Companies ("AIC")

The Company is a member of the AIC which is the trade body for investment companies and represents the industry in relation to various matters which impact the regulation of such entities.

Benchmark

An index against which performance is compared. For the Company this is the FTSE World Europe ex UK Index on a total return basis in sterling terms.

Custodian

The custodian is responsible for ensuring the safe custody of the Company's assets and that all transactions in the underlying holdings are transacted in an accurate and timely manner.

Depositary

With effect from 22 July 2014 all AIFs were required to appoint a depositary who has responsibility for overseeing the operations of the Company including safekeeping, cash monitoring and verification of ownership and valuation and is responsible for the appointment of a custodian. The depositary is strictly liable for the loss of any investments or other assets in its custody unless it has notified that it is has discharged its liability in certain markets. The depositary has confirmed that it has not discharged liability in relation to any of the Company's assets.

Derivative

A contract between two or more parties in relation to an underlying security. The value of a derivative will fluctuate in accordance with the value of the security and is a form of gearing as the fluctuations in value are usually greater than the fluctuations in the underlying security's value. Examples of derivatives are put and call options, swap contracts, futures and contracts for difference. Foreign exchange, interest rates and commodities may also be traded using derivative contracts.

Dividend dates

When declared or recommended, each dividend will have three key dates applied to it. The payment date is the date on which shareholders will receive their dividend, either by BACS transfer or by receipt of a dividend cheque. The record date applied to the dividend is used as a cut-off for the Company's registrars to know which shareholders should be paid a dividend. Only shareholders on the register of members at the close of business on the record date will receive the dividend. The ex-dividend date is the business day before the record date and is the date upon which the Company's net asset value will be disclosed ex-dividend.

Gearing

The gearing percentage reflects the amount of borrowings (i.e. bank loans or overdrafts) the Company has used to invest in the market. This figure indicates the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. This is calculated by taking the difference between quoted and unquoted investments and equity shareholders' funds divided by equity shareholders' funds and multiplied by 100.

Investment trusts

Investment trusts are public limited companies, listed on the London Stock Exchange, which provide shareholders with a professionally managed portfolio of investments. Investment trusts are exempt from tax on the capital gains arising on their investments subject to meeting certain criteria. Income, net of expenses and tax, is substantially distributed to shareholders. Investment trusts are also known as investment companies, although the tax legislation retains the reference to investment trusts.

Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers in the market for the share in question. Where the market in a particular share is described as liquid, that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid the difficulty of finding a buyer will tend to depress the price that might be negotiated for a sale.

Market capitalisation (market cap)

The market value of a company, calculated by multiplying the mid-market price per share by the number of shares in issue.

Glossary (continued)

Net asset value ("NAV") per ordinary share

The value of the Company's assets (i.e. investments and cash held) less any liabilities (i.e. bank borrowings and debt securities) for which the Company is responsible, divided by the number of shares in issue. The aggregate NAV is also referred to as shareholders' funds on the balance sheet. The NAV is published daily.

Ongoing charge

The ongoing charge reflects those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Company as a collective fund, excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments. The ongoing charge is based on actual costs incurred in the year as being the best estimate of future costs, excluding any performance fees, in accordance with methology prescribed by the AIC.

Premium/discount

The amount by which the market price per share of an investment trust is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV per share.

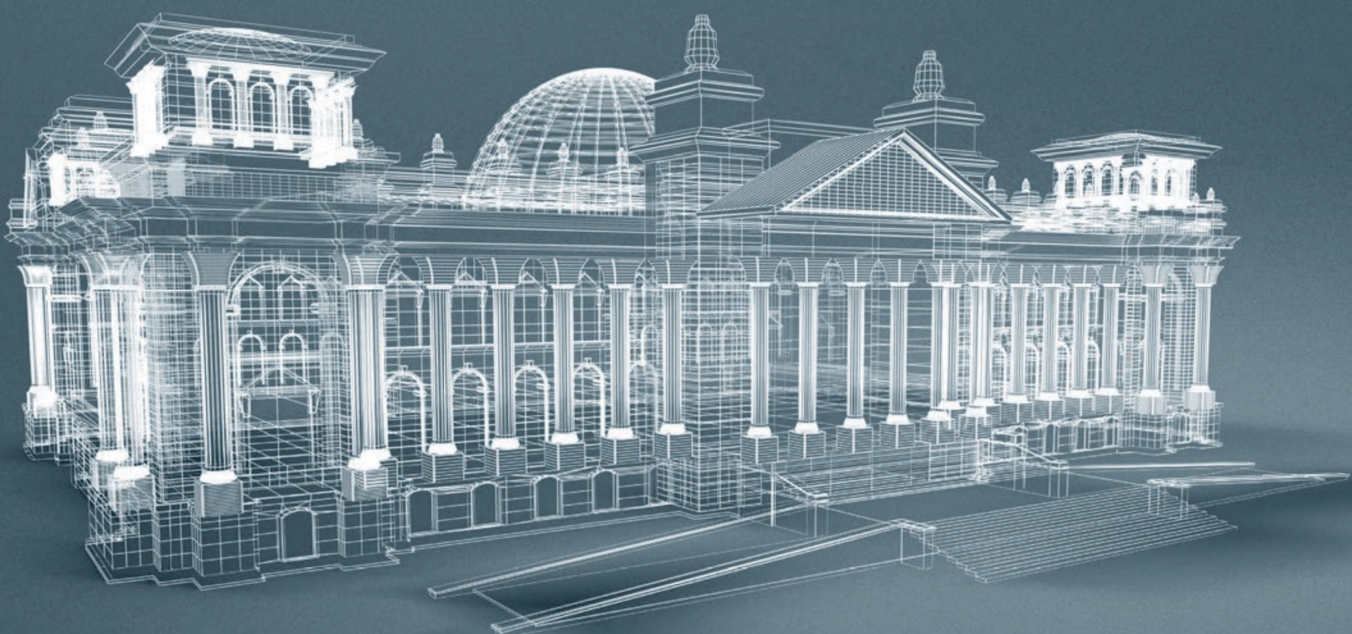
Total return performance

This is the return on the share price or NAV taking into account both the rise and fall of share prices and the dividends and interest paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV total return).

Yield

The annual dividend expressed as a percentage of the share price.

Corporate Report



Report of The Directors

The Directors present the audited financial statements of the Company and their report for the year from 1 October 2013 to 30 September 2014. The Company (registered in England & Wales on 20 January 1947 with company registration number 427958) was active throughout the year under review and was not dormant.

Directors' remuneration and shareholdings

The Directors' Remuneration Report on pages 22 and 23 provides information on the remuneration and share interests of the Directors.

Directors' conflicts of interest

The Company's articles of association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ("situational conflicts"). The Board has a formal system in place for Directors to declare situational conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted Directors must act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any situational conflicts considered, and any authorisations given, are recorded in the relevant meetings' minutes. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts and the Board believes that the systems it has in place for reporting and considering situational conflicts continues to operate effectively.

Related party transactions

The Company's current related parties are its Directors and Henderson. There have been no material transactions between the Company and its Directors during the year and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable at the year end. In relation to the provision of services by Henderson, other than fees payable by the Company in the ordinary course of business and the provision of marketing services there have been no material transactions with Henderson affecting the financial position of the Company during the year under review. More details on transactions with Henderson, including amounts outstanding at the year end, are given in note 26 on page 48.

Share capital

As at 30 September 2014 the Company's paid up share capital consisted of 18,204,149 ordinary shares of 50p each, 17,873,419 shares with full voting rights and 330,730 shares held in treasury with no voting rights or rights to dividends. All ordinary shares not held in treasury rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid. To the extent that they exist, the revenue profits of the Company (including accumulated revenue reserves) are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to shareholders pro rata to their holding of ordinary shares.

Subject to annual shareholder approval, the Company may allot shares or sell equity securities held by the Company in treasury. During the year, the Company sold 953,500 shares out of treasury, all at a premium to the prevailing net asset value ("NAV"). Since the end of the year to the date of this report no further shares have been sold out of treasury. Also subject to annual shareholder approval, the Company may purchase its own shares at a discount to NAV per share. At the annual general meeting ("AGM") in January 2014 shareholders gave the Board authority to buy back 2,536,295 ordinary shares during the following 15 months for cancellation or to be held in treasury. During the year ended 30 September 2014 the Company did not repurchase any ordinary shares. Since the end of the year to the date of this report no shares have been repurchased by the Company.

Holdings in the Company's shares

Declarations of interests in the voting rights of the Company as at 30 September 2014 in accordance with the disclosure and transparency rules were as follows:

	% of voting rights
Investec Wealth & Investment	10.9
Rathbone Investment Management	5.0

Since the year end, Investec Wealth & Investment notified changes to its holding of voting rights, which at 8 December 2014 was 10.1%. No other changes have been notified in the period 1 October 2014 to 8 December 2014.

At 30 September 2014, 7.3% of the issued ordinary shares were held on behalf of participants in Halifax Share Dealing products run by Halifax Share Dealing Limited. The participants in these schemes are given the opportunity to instruct the relevant nominee company to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company.

Going concern

The assets of the Company consist mainly of a portfolio of diversified securities that are readily realisable, and the Company has adequate financial resources to meet its liabilities and continue in operational existence for the foreseeable future. For these reasons, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. In reviewing the position as at the date of this report, the Board has considered "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" published by the Financial Reporting Council.

Annual general meeting

The AGM will be held on Friday 30 January 2015 at 2.30 p.m. at the Company's registered office. The notice and details of the resolutions to be put at the AGM are contained in the separate letter being sent to shareholders with this report.

Report of The Directors (continued)

Corporate Governance

The Corporate Governance Statement, set out on pages 24 to 27 forms part of the Report of the Directors.

Directors' statement as to disclosure of information to auditors

Each of the Directors who were members of the Board at the date of approval of this report confirms that to the best of his knowledge and belief, there is no information relevant to the preparation of the Annual Report which the Company's auditors are unaware and he has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Global greenhouse gas emissions

As an externally managed company, the Company has no greenhouse gas emissions to report from its operations for the year to 30 September 2014 (2013: same), nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Listing Rule 9.8.4

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

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
10 December 2014

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report (which must be fair, balanced and understandable), the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 and the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Statement under DTR 4.1.12

Each of the Directors, who are listed on page 12, confirms that, to the best of his knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) on a going concern basis, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

Alexander Comba
Director
10 December 2014

The financial statements are published on **www.hendersoneuropeanfocus.com** which is a website maintained by Henderson.

The maintenance and integrity of the website is the responsibility of Henderson; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Annual Report since it was initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the "Regulations"). The report also meets the relevant requirements of the Companies Act 2006 (the "Act") and the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles relating to Directors' remuneration. As required by section 439 of the Act, an ordinary resolution to approve the report will be proposed at the annual general meeting on 30 January 2015. The Company's remuneration policy was approved by shareholders at the AGM in 2014 in accordance with section 439A of the Act. No changes to the policy are currently proposed.

The Company's auditors are required to report on certain information contained within this report; where information set out below has been audited it is indicated as such.

All Directors are non-executive and the Company has no chief executive officer or employees; as such some of the reporting requirements contained in the Regulations are not applicable and have not been reported on, including the requirement for a future policy table and an illustrative representation of the level of remuneration that could be received by each individual Director. It is believed that all relevant information is disclosed within this report in an appropriate format.

The whole Board fulfils the function of the Remuneration Committee. The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration (although the Directors review annually the fees paid to the boards of directors of other comparable investment trust companies).

Remuneration policy

Directors are remunerated in the form of fees, payable quarterly in arrears to the Directors personally. In accordance with the Company's articles of association the aggregate remuneration of the Directors may not exceed £150,000 per annum. Subject to this overall limit, the Board's policy is that remuneration should reflect the time spent on the Company's affairs and the responsibilities borne by the Directors. They should be comparable to that of other investment trusts of a similar size and with a similar capital structure and investment objective and should be of a sufficient level to attract and retain Directors of a suitable calibre. All Directors, including any new appointments to the Board, are paid at the same rate, apart from the Chairman of the Board and the Chairman of the Audit Committee who are paid a higher fee in recognition of their additional responsibilities. The level of remuneration paid to each Director is reviewed annually, although such review will not necessarily result in any change to the rate; any feedback from shareholders would be taken into account when setting remuneration levels. Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties.

No Director is eligible to receive bonuses, pension benefits, share options or other benefits and no long-term incentive schemes are in place.

No Director has a service contract with the Company. Directors' appointments may be terminated at any time by written notice with no compensation payable.

This policy has been in place since 1 October 2012 and will remain in place until the annual general meeting in 2017 unless it is amended by way of ordinary resolution put to shareholders at a general meeting. The Board may amend the level of remuneration paid to individual Directors within the parameters of the remuneration policy.

Annual statement

As Chairman of the Remuneration Committee, Rodney Dennis reports that there have been no major decisions on Directors' remuneration or any changes to the remuneration paid to each individual Director in the year under review.

Annual report on remuneration

Directors' interests in shares (audited)

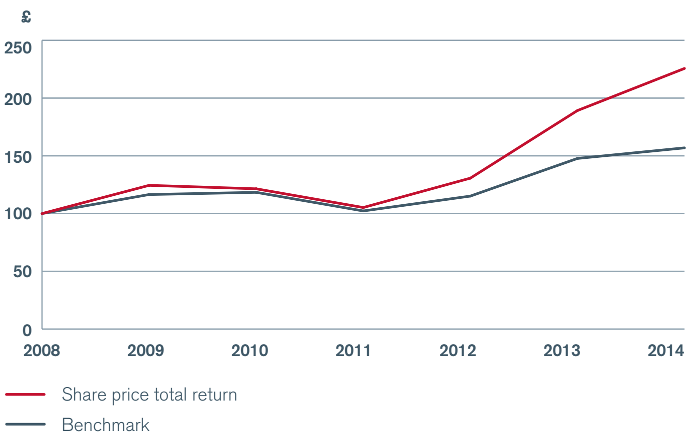
	Ordinary shares of 50p	
	30 September 2014	1 October 2013
Rodney Dennis	7,515	7,515
Jean Claude Banon	–	–
Alexander Comba	5,000	5,000
Alain Dromer[1]	2,200	–
Michael Firth	2,500	2,500

1 Appointed on 1 April 2014

The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the preceding table. There have been no changes to any of the Directors' holdings in the period 1 October to 8 December 2014.

Performance

The graph compares the mid-market price of the Company's ordinary shares over the six year period ended 30 September 2014 with the return from the FTSE World Europe ex UK Index on a total return basis in sterling terms ("Index") over the same period, assuming the investment of £1,000 on 30 September 2008 and reinvestment of all dividends and income (excluding dealing expenses).



Sources: Morningstar Funddata and Datastream

Directors' Remuneration Report (continued)

Directors' fees and expenses (audited)

The fees and expenses paid to the Directors who served during the years ended 30 September 2014 and 30 September 2013 were as follows:

	Year ended 30 September 2014 Total salary and fees £	Year ended 30 September 2013 Total salary and fees £	Year ended 30 September 2014 Taxable benefits £	Year ended 30 September 2013 Taxable benefits £	Year ended 30 September 2014 Total £	Year ended 30 September 2013 Total £
Rodney Dennis[1]	30,000	30,000	–	560	30,000	30,560
Jean Claude Banon	21,000	21,000	–	569	21,000	21,569
Alexander Comba[2]	24,000	24,000	–	368	24,000	24,368
Alain Dromer[3]	10,000	–	–	–	10,000	–
Michael Firth	21,000	21,000	333	–	21,333	21,000
Total	**106,000**	**96,000**	**333**	**1,497**	**106,333**	**97,497**

Notes:
The table above omits other columns set out in the relevant regulations because no payments of other types such as performance related pay, vesting performance related pay and pension related benefits were made
1 Chairman and highest paid Director
2 Chairman of the Audit Committee
3 Appointed on 1 April 2014

No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former Directors or third parties specified by any of them.

Since 1 October 2011 the fees paid to the Directors have been: Chairman £30,000, Audit Committee Chairman £24,000 and Director £21,000.

Relative importance of spend on pay

In order to show the relative importance of spend on pay, the table below sets out the total level of remuneration compared to the distributions paid to shareholders by way of dividends. There were no share buybacks or other significant distributions, payments or other uses of the Company's profit or cash flow deemed to assist in the understanding of the relative importance of spend on pay.

	2014 £	2013 £	Change £
Total remuneration	106,333	97,497	8,836
Ordinary dividend paid during the year	4,664,000	3,215,000	1,449,000

Statement of voting at annual general meeting ("AGM")

At the 2014 AGM 4,059,085 votes (98.4%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 55,334 (1.4%) were against, 9,287 (0.2%) were discretionary and 60,217 were withheld; the percentage of votes excludes votes withheld. In relation to the approval of the remuneration policy, 4,050,269 votes (98.5%) were received voting for the resolution, 53,772 (1.3%) were against, 9,287 (0.2%) were discretionary and 70,595 were withheld.

For and on behalf of the Board

Alexander Comba
Director
10 December 2014

Corporate Governance Statement

Applicable corporate governance codes

The Board is accountable to shareholders for the governance of the Company's affairs. As an investment trust, the Company's day-to-day responsibilities are delegated to third parties; the Company has no employees and the Directors are all non-executive. Therefore not all the provisions of the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council ("FRC") are directly applicable to the Company. The Board has therefore considered the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies in February 2013 (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the applicable principles set out in the UK Code as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The FRC has confirmed that by following the AIC Guide, boards of investment companies should fully meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

Copies of the AIC Code, the AIC Guide and the UK Code can be found on the respective organisations' websites: **www.theaic.co.uk** and **www.frc.org.uk**.

Statement of compliance

The Directors believe that the Company has complied with the recommendations of the AIC Code that are applicable to smaller companies (those below the FTSE 350) during the year under review and up to the date of this report and thereby the provisions of the UK Code except as set out below.

The UK Code includes provisions relating to:

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

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company as it is an externally managed investment company. In particular, all of the Company's day to day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations.

Directors

Terms of appointment

The Board has set, and each Director has agreed to adopt generic terms and conditions of appointment of non-executive Directors of the Company, a copy of which is available for inspection at the Company's registered office during normal business hours and at the Company's annual general meeting and is available on the website **www.hendersoneuropeanfocus.com**.

Directors' appointment and retirement

The Board may appoint Directors to the Board without shareholder approval. Any Director so appointed must stand for election by the shareholders at the next annual general meeting ("AGM") in accordance with the articles of association. In accordance with this provision, Alain Dromer will stand for election at the 2015 AGM.

The AIC Code states that any director who has served for more than nine years is subject to annual re-election. Rodney Dennis and Alexander Comba are therefore required to seek re-election to the Board at the 2015 AGM. Jean Claude Banon has indicated that he does not wish to offer himself up for re-election and so he will retire with effect from the close of the AGM.

All Directors are appointed for an initial term of three years. The articles of association require each Director to retire and submit themselves for re-election at least every three years. No Director is subject to these provisions this year.

The contribution and performance of each of the Directors seeking re-election was reviewed by the Nomination Committee at its meeting in September 2014, which recommended to the Board the continuing appointment of each of those Directors.

Under the articles of association shareholders may remove a Director before the end of his term by passing an ordinary resolution at a meeting. An ordinary resolution is passed if more than 50% of the votes cast, in person or by proxy, are in favour of the resolution.

Directors' independence

All Directors have a wide range of other interests and are not dependent on the Company itself. At the Nomination Committee meeting in September 2014, the Directors reviewed their independence and confirmed that all Directors remain wholly independent of Henderson. Rodney Dennis, Jean Claude Banon and Alexander Comba have served on the Board for more than nine years; in line with the AIC Code, the Board believes that length of service does not diminish the contribution from a Director as experience and knowledge of the Company is a positive factor and should not impact a Director's independence. The Board has determined that all Directors are independent in character and judgement and that their individual skills, broad business experience and high degree of knowledge and understanding of the Company are of great benefit to shareholders. The Board is cognisant of the majority of longer serving Directors on the Board and is continuing with its succession planning, which started with the appointment of Alain Dromer earlier this year. Alexander Comba is appointed as Senior Independent Director.

There were no contracts subsisting during or at the end of the year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business. No Director has a contract of service with the Company and there are no agreements between the Company and its Directors concerning compensation for loss of office.

Directors' professional development

When a new Director is appointed he or she is offered an induction seminar which is held by Henderson at the request of the Chairman. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are

Corporate Governance Statement (continued)

advised to the Board as they arise. Directors are also able to attend external training facilities and industry seminars at the expense of the Company and each Director's individual training requirements are considered as part of the annual performance appraisal.

Directors' insurance and indemnification

Directors' and officers' liability insurance cover is in place which indemnifies the Directors against certain liabilities arising from the carrying out of their duties. Under the Company's articles of association and, subject to the provisions of UK legislation, a qualifying third party provision indemnity may be provided to Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the Court. The Company has granted indemnity to Directors to the extent permitted by law in respect of liabilities that may attach to them in their capacity as Directors of the Company.

The Board

Board composition

The Board currently consists of five non-executive Directors and the biographies of those holding office at the date of this report are included on page 12. Those details demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors. All Directors served throughout the year, apart from Alain Dromer who was appointed on 1 April 2014.

Responsibilities of the Board and its Committees

The Board, which is chaired by Rodney Dennis who is an independent non-executive Director, meets formally at least five times a year, with additional Board or committee meetings arranged when required. The Directors have regular contact with the Fund Manager and representatives of the Corporate Secretary between formal meetings. The Board has a formal schedule of matters specifically reserved for its decision, which include strategy, management and structure, financial reporting and other communications, Board membership and other appointments, contracts, internal control and corporate governance.

The Board is responsible for the approval of annual and half year results, interim management statements and other public documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Company's position and prospects. The Directors confirm that they are satisfied that the Annual Report for the year ended 30 September 2014, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

At each meeting the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's objective and is responsible for setting asset allocation, investment and gearing limits within which Henderson has discretion to act and regularly reviews investment strategy. It has adopted a procedure for Directors to take independent professional advice in the furtherance of their duties at the expense of the Company.

In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information.

Committees of the Board

The Board has four Committees: the Audit Committee, the Management Engagement Committee, the Nomination Committee and the Remuneration Committee. The terms of reference for these Committees are available on the website **www.hendersoneuropeanfocus.com** or via the Corporate Secretary.

Audit Committee

The Audit Committee comprises all of the Directors and is chaired by Alexander Comba, who is a chartered accountant. The other Audit Committee members have a combination of financial, investment and other experience gained throughout their careers and the Board is satisfied that at least one of the Committee's members has recent and relevant financial experience. All members of the Audit Committee are independent. The Report of the Audit Committee, which forms part of this Corporate Governance Statement, can be found on pages 28 and 29.

Nomination Committee

All Directors are members of the Nomination Committee, which is chaired by the Chairman of the Board (who would not chair the Committee when the Chairman's successor was being considered). The Committee is responsible for reviewing Board succession planning and tenure policy, the performance of the Board as a whole and the Board Committees and the recommendation to the Board on the appointment of new Directors through an established formal procedure.

When considering succession planning, the Committee bears in mind the balance of skills, knowledge, experience, gender and diversity existing on the Board. The Nomination Committee considers diversity as part of the annual performance evaluation and it is felt that there is a range of backgrounds and each Director brings different qualities to the Board and its discussions.

Given the small size of the Board, it is not considered appropriate for the Company to have set targets in relation to diversity; candidates will be assessed in relation to the relevant needs of the Company at the time of appointment. The Nomination Committee will make recommendations to the Board when the recruitment of additional non-executive Directors is required. Once a decision is made to recruit additional Directors to the Board, a formal job description is drawn up. The Company may use external agencies as and when the requirement to recruit an additional Board member becomes necessary. No agency was used in relation to the appointment of Alain Dromer.

The Committee also reviews and recommends to the Board the Directors seeking re-election. Recommendation is not automatic and will follow a process of evaluation of each Director's performance and consideration of the Director's independence. The Committee also takes into account the mix of skills and experience of the current Board members. In accordance with the UK Code any Director serving for longer than six years would be subject to particularly rigorous assessment of his contribution.

Corporate Governance Statement (continued)

The Committee met in September 2014 to carry out its annual review of the Board, its composition and size and its Committees. The results of the performance evaluation are detailed below.

Management Engagement Committee

All Directors are members of the Management Engagement Committee, which is chaired by the Chairman of the Board.

The Committee is responsible for reviewing the management contract on a regular basis, ensuring that the terms are fair and reasonable and that its continuance, given the Company's performance over both short and longer terms, is in the best interests of the Company and its shareholders and also for reviewing the performance and cost effectiveness of the Company's other service providers.

The Committee met in November 2014 to carry out its annual review of Henderson, the results of which are detailed on page 27.

Remuneration Committee

All Directors are members of the Remuneration Committee, which is chaired by the Chairman of the Board. The Committee is responsible for monitoring the remuneration of the Directors. Directors' fee levels are set in line with the remuneration policy, as set out in the Directors' Remuneration Report on pages 22 and 23, which is subject to periodic shareholder approval.

Board attendance

The table below sets out the number of Board and Committee meetings held during the year under review and the number of meetings attended by each Director. All Directors apart from Mr Dromer attended the AGM in January 2014.

	Board	AC	MEC[2]	NC	RC
Number of meetings	**5**	**3**	**–**	**1**	**1**
Rodney Dennis	5	3	–	1	1
Jean Claude Banon	5	3	–	1	1
Alexander Comba	4	3	–	–	–
Alain Dromer[1]	3	2	–	1	1
Michael Firth	5	3	–	1	1

AC: Audit Committee
MEC: Management Engagement Committee
NC: Nomination Committee
RC: Remuneration Committee

1 Alain Dromer was appointed on 1 April 2014
2 The 2014 Management Engagement Committee meeting was deferred to November so falls out of the Company's reporting period

The Directors and committees of the Board also met during the year to undertake business such as the approval of the Company's results, dividends, the appointment of a new Director and documentation arising from the introduction of the Alternative Investment Fund Managers Directive. The Directors also met without representatives of Henderson to discuss Board strategy and committees of the Board have met with Henderson to discuss marketing strategy.

Performance evaluation

The performance of the Company is considered in detail at each Board meeting. In the year under review the Board has conducted a review of its own performance, together with that of its Committees, the Chairman and each individual Director. This was conducted by the Chairman having a private discussion with each Director and the Chairman of the Audit Committee speaking to each Director about the performance of the Chairman. It was concluded that each were satisfactory and the Board has a good balance of skills and experience. In particular, it is considered that each of the Directors makes a significant contribution to the affairs of the Company, the Chairman continues to display effective leadership and that Directors seeking re-election at the Company's AGM merit re-election by shareholders. The use of external parties to undertake the performance evaluation has been used on occasion historically and will be considered from time to time in the future.

Internal controls

The Board has established an ongoing process for identifying, evaluating and managing any major risks faced by the Company. The process accords with advice issued by the FRC and is subject to regular review by the Board. The Board has overall responsibility for the Company's system of internal controls and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has reviewed the effectiveness of the Company's system of internal controls for the year ended 30 September 2014. During the course of its review the Board has not identified or been advised of any failings or weaknesses that have been determined as significant. All business risks faced by the Company are recorded in a risk map which is reviewed periodically.

Henderson has established an internal control framework to provide reasonable, but not absolute, assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by Henderson's compliance, internal audit and risk departments on a continuing basis. The Board receives a formal report on a quarterly basis which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of Henderson, and which reports the details of any known internal control failures. The Board receives a report on Henderson's internal controls each year which includes a report from Henderson's auditors on the control policies and procedures in operation.

The ongoing process for identifying, evaluating and managing significant risks faced by the Company has been in place throughout the year under review and up to the date of this report. Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable. As all of the Company's management functions are delegated to third parties, and the Board monitors the controls in place through Henderson's internal audit department, the Board feels that there is currently no need for the Company to have its own internal audit function.

Corporate Governance Statement (continued)

Accountability and relationship with Henderson

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 21, the Independent Auditors' Report on pages 30 and 31 and the statement of going concern on page 19.

The Board has delegated contractually to external third parties, including Henderson, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets which is delegated through the appointment of the depositary as explained on page 16), the day-to-day accounting, company secretarial and administration requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

The Board receives and considers regular reports from Henderson and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman is able to attend meetings of all the chairmen of the investment trust companies managed by Henderson which provide a forum to discuss industry matters which would then be reported to the Board.

Henderson takes decisions as to the purchase and sale of individual investments. Henderson also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of Henderson attend each Board meeting enabling the Directors to probe further on matters of concern. The Directors have access to the advice and services of the Corporate Secretary through its appointed representative who is responsible to the Board for ensuring that Board and Committee procedures are followed and that applicable rules and regulations are complied with. The proceedings at all Board and Committee meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes. The Board and Henderson operate in a supportive, co-operative and open environment.

Henderson and BNP Paribas Securities Services, which acts for Henderson, have arrangements in place by which their staff may, in confidence, raise concerns about possible improprieties in relation to financial reporting or other matters.

The Board has reviewed the implications of the Bribery Act 2010, which came into force on 1 July 2011, and confirmed its zero tolerance to bribery and corruption in its business activities. It has received assurances from the Company's main contractors and suppliers that they will maintain adequate safeguards to protect against any potentially illegal behaviour by their employees and agents.

Continued appointment of Henderson

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. The principal contents of the agreement with Henderson are contained on page 4.

In addition to the monitoring of investment performance at each meeting, through the Management Engagement Committee an annual review of the Company's investment performance over both the short and longer terms, together with the quality of other services provided by Henderson, including company secretarial and accounting, is undertaken.

The Board remains satisfied with investment performance and, in particular the experience, skills and commitment of the Fund Manager. It is the Directors' opinion that the continuing appointment of Henderson on the existing terms is in the interests of the Company and its shareholders as a whole.

Share capital

Please see the Report of the Directors on page 19.

Relations with shareholders

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with its shareholders is through the half year results and Annual Report which aim to provide shareholders with a clear understanding of the Company's activities and their results. This information is supplemented by the daily calculation and publication of the NAV per share to a regulatory information service and a monthly fact sheet which is available on the website. The Board has met with representatives of some of the larger shareholders over the course of the year and has valued the feedback on the Company provided.

The Board considers that shareholders should be encouraged to attend and participate in the AGM. Shareholders have the opportunity to address questions to the Chairman of the Board, the Chairman of the Audit Committee and all other Directors at the meeting and the Fund Manager will make a presentation to shareholders. A summary of the proxy votes received on the resolutions proposed is displayed at the meeting and each substantial issue is dealt with in a separate resolution. It is the intention of the Board that the Annual Report and notice of AGM be issued to shareholders so as to provide at least 20 working days' notice of the meeting. These documents are also included on the website. Shareholders wishing to lodge questions in advance of the meeting, or raise issues or concerns at any time, are invited to do so by writing to the Corporate Secretary at the registered office address given on page 13 of this report.

General presentations to both shareholders and analysts follow the publication of the annual results. All meetings between Henderson and shareholders are reported to the Board.

By order of the Board

For and on behalf of
Henderson Secretarial Services Limited
Corporate Secretary
10 December 2014

Report of The Audit Committee

Meetings

The Audit Committee met three times during the year under review. The Company's auditors are invited to attend meetings as necessary. Representatives of Henderson and BNP Paribas Securities Services may also be invited.

Role and responsibilities

The role of the Audit Committee is to assist the Board in applying financial reporting and internal control principles and to maintain an appropriate relationship with the auditors. The responsibilities are set out in formal terms of reference which are regularly reviewed. In the year under review the main duties undertaken were:

- a review of the half year results and the Annual Report, including the disclosures made therein in relation to internal controls and risk management, going concern and related parties and consideration of whether the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- consideration of the quality and effectiveness of the accounting records and management information maintained on behalf of the Company, relying on meetings with and reports from Henderson;
- consideration of the appropriate level of dividend to be paid by the Company;
- consideration of the internal controls in place at Henderson and BNP Paribas Securities Services as administrator and Henderson's policies in relation to cyber risk and business continuity, meeting with representatives of Henderson's internal audit and risk departments periodically;
- consideration of the performance fee calculation;
- consideration of the key risks, risk management systems in place and the Company's risk map;
- consideration of the Company's anti-bribery policy;
- consideration of the nature and scope of the external audit and the findings therefrom;
- consideration of whether there is a need for an internal audit function in order to make a recommendation to the Board, as described on page 26;
- consideration of the appointment of the auditors, and its performance and remuneration (see page 29);
- consideration of the auditors' independence and objectivity and the provision of any non-audit services (as explained further on page 29); and
- consideration of the whistle blowing policy that Henderson has put in place for its staff to raise concerns about possible improprieties, including in relation to the Company, in confidence. The policy includes the necessary arrangements for independent investigation and follow up action.

Audit for the year ended 30 September 2014

In relation to the Annual Report for the year ended 30 September 2014 the following significant issues were considered by the Committee:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. Ownership of listed investments are verified by reconciliation to the custodian's records.
Recognition of income	Income received is accounted for in line with the Company's accounting policy (as set out on page 36) and is reviewed by the Committee at each meeting.
Compliance with Section 1158 of the Corporation Tax Act 2010	The Committee regularly considers the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times.
Maintaining internal controls	The Committee receives regular reports on internal controls from Henderson and its delegates and has access to the relevant personnel of Henderson who have a responsibility for risk management and internal audit.
Performance fee	The calculation of the performance fee payable to Henderson is reviewed by the Committee before being approved by the Board.
Appointment of auditors	The Committee undertook an audit tender during the year and recommended a change to the Board, as detailed on page 29.

Report of The Audit Committee (continued)

Policy on non-audit services

The provision of non-audit services by the Company's auditors is considered and approved by the Audit Committee on a case by case basis. The policy set by the Audit Committee, which is kept under review, ensures that consideration is given to the following factors when considering the provision of non-audit services by the auditors:

- whether the audit firm is the most suitable supplier of non-audit services;
- the impact on the auditors' independence and objectivity and what safeguards can be put in place to eliminate or reduce any threat in this regard; and
- the cost-effectiveness of the services.

The Board has determined that the auditors will never be considered for the provision of services related to accounting and preparation of the financial statements, internal audit and custody.

During the year Grant Thornton UK LLP ("GT") were appointed to provide non-audit services in relation to the provision of taxation services, specifically in relation to withholding tax recoveries at a cost of £9,000 (2013: £9,000).

Auditors' appointment

Grant Thornton UK LLP were appointed as auditors to the Company until 25 July 2014. Ernst & Young LLP ("EY") were appointed in their place following a tender process undertaken by the Audit Committee, which made a recommendation about their appointment to the Board. EY have not been engaged to provide any non-audit services up to the date of this report. The Audit Committee is satisfied with the effectiveness of the audit provided and that EY is independent of the Company and recommend their appointment by shareholders. Accordingly, resolutions to confirm the appointment of EY as auditors to the Company and to authorise the Directors to determine their remuneration will be proposed at the annual general meeting.

In accordance with EU regulation on auditor rotation and FRC guidance on audit tendering, the Company will be required to put its audit contract out to tender at least every 10 years.

Fees paid or payable to the auditors are detailed in note 6 on page 39.

For and on behalf of the Board

Alexander Comba
Audit Committee Chairman
10 December 2014

Independent Auditors' Report to the members of Henderson European Focus Trust plc

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2014 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

We have audited the financial statements of Henderson European Focus Trust plc for the year ended 30 September 2014 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 21, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our assessment of risks of material misstatement

We identified the following risks of material misstatement that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team:

- performance fee is not calculated correctly in accordance with the investment management agreement;
- incorrect valuation of the investment portfolio, including the incorrect application of exchange rates movements and assessment of stock liquidity;
- misappropriation of the Company's assets and unsecured ownership of investments;
- incomplete or inaccurate income recognition through failure to recognise proper income entitlements; and
- failure by the Company to maintain investment trust status in accordance with Section 1158 of the Corporation Tax Act 2010 (Section 1158).

Our application of materiality

We determined planning materiality for the Company to be £1.71 million which is 1% of total equity. This provided a basis for determining the nature, timing and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 50% of planning materiality, namely £855,000. Our objective in adopting this approach was to ensure that total detected and undetected audit differences in all accounts did not exceed our planning materiality level.

Given the importance of the distinction between revenue and capital for the Company we have also applied a separate performance materiality of £218,000 for the Income Statement, being 5% of the return on ordinary activities before taxation.

Independent Auditors' Report to the members of Henderson European Focus Trust plc (continued)

We have reported to the Audit Committee all audit differences in excess of £85,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our response to the risks identified above was as follows:

- we re-performed the performance fee calculation for the year to confirm it was correctly calculated in accordance with the investment management agreement;
- we agreed 100% of the year end prices for the Company's investments to an independent source;
- we obtained independent confirmation from the custodian of the investment portfolio and cash balances, agreeing them to the books and records;
- we tested on a sample basis the completeness and accuracy of income receipts and confirmed that income was recorded in accordance with the Company's accounting policy for revenue recognition; and
- we inspected the Company's assessment of its compliance with Section 1158 and re-performed a selection of compliance tests as of the year end.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 19, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Matthew Price (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor
London
10 December 2014

Income Statement

Notes		Year ended 30 September 2014 Revenue return £'000	Year ended 30 September 2014 Capital return £'000	Year ended 30 September 2014 Total return £'000	Year ended 30 September 2013 Revenue return £'000	Year ended 30 September 2013 Capital return £'000	Year ended 30 September 2013 Total return £'000
2(a)	Gains on investments held at fair value through profit or loss	–	18,599	18,599	–	31,828	31,828
2(b)	Gains on derivative instruments	–	–	–	–	58	58
	Exchange gain/(loss) on currency transactions	–	1,178	1,178	–	(1,086)	(1,086)
3	Income from investments	5,149	–	5,149	5,573	–	5,573
4	Other income	2	–	2	2	–	2
	Gross revenue and capital gains	**5,151**	**19,777**	**24,928**	**5,575**	**30,800**	**36,375**
5	Management fee	(267)	(800)	(1,067)	(248)	(744)	(992)
5	Performance fee	–	(1,171)	(1,171)	–	(87)	(87)
6	Other fees and expenses	(384)	(261)	(645)	(377)	(398)	(775)
	Net return on ordinary activities before finance charges and taxation	**4,500**	**17,545**	**22,045**	**4,950**	**29,571**	**34,521**
7	Finance charges	(131)	(394)	(525)	(106)	(317)	(423)
	Net return on ordinary activities before taxation	**4,369**	**17,151**	**21,520**	**4,844**	**29,254**	**34,098**
8	Taxation on net return on ordinary activities	(510)	–	(510)	(552)	–	(552)
	Net return on ordinary activities after taxation	**3,859**	**17,151**	**21,010**	**4,292**	**29,254**	**33,546**
9	Return per ordinary share	22.14p	98.38p	120.52p	25.37p	172.90p	198.27p

The total columns of this statement represent the Income Statement of the Company. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. All revenue and capital items in the above statement derive from continuing operations. The Company had no recognised gains or losses other than those disclosed in the Income Statement.

The notes on pages 36 to 48 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

Notes	Year ended 30 September 2014	Called up share capital £'000	Special distributable reserve £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
	At 30 September 2013	9,102	19,749	–	61,344	9,421	34,423	11,723	145,762
	Net return on ordinary activities after taxation	–	–	–	–	–	17,151	3,859	21,010
	Shares sold from treasury	–	5,084	3,796	–	–	–	–	8,880
10	Ordinary dividend paid	–	–	–	–	–	–	(4,664)	(4,664)
	At 30 September 2014	**9,102**	**24,833**	**3,796**	**61,344**	**9,421**	**51,574**	**10,918**	**170,988**

Notes	Year ended 30 September 2013	Called up share capital £'000	Special distributable reserve £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
	At 30 September 2012	9,102	19,749	–	61,344	9,421	5,169	10,646	115,431
	Net return on ordinary activities after taxation	–	–	–	–	–	29,254	4,292	33,546
10	Ordinary dividend paid	–	–	–	–	–	–	(3,215)	(3,215)
	At 30 September 2013	**9,102**	**19,749**	**–**	**61,344**	**9,421**	**34,423**	**11,723**	**145,762**

The notes on pages 36 to 48 form part of these financial statements.

Balance Sheet

Notes		At 30 September 2014 £'000	At 30 September 2013 £'000
	Fixed assets		
11	Investments held at fair value through profit or loss	184,019	164,208
	Current assets		
12	Debtors	3,066	420
	Cash at bank	17,943	5,821
		21,009	**6,241**
13	**Creditors:** amounts falling due within one year	(34,040)	(24,687)
	Net current liabilities	**(13,031)**	**(18,446)**
	Net assets	**170,988**	**145,762**
	Capital and reserves		
15	Called up share capital	9,102	9,102
16	Special distributable reserve	24,833	19,749
17	Share premium account	3,796	–
18	Merger reserve	61,344	61,344
19	Capital redemption reserve	9,421	9,421
20	Capital reserve	51,574	34,423
21	Revenue reserve	10,918	11,723
	Shareholders' funds	**170,988**	**145,762**
22	Net asset value per ordinary share	956.66p	861.48p

These financial statements were approved and authorised for issue by the Board of Directors on 10 December 2014 and signed on its behalf by:

Alexander Comba
Director

The notes on pages 36 to 48 form part of these financial statements.

Cash Flow Statement

Notes		Year ended 30 September 2014 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000	Year ended 30 September 2013 £'000
24	**Net cash inflow from operating activities**		**3,196**		**1,560**
	Servicing of finance				
	Interest paid	(509)		(387)	
	Net cash outflow from servicing of finance		**(509)**		**(387)**
	Financial investment				
	Purchases of investments	(228,139)		(230,436)	
	Sales of investments	223,806		226,246	
	Gains on derivative instruments	–		58	
	Net cash outflow from financial investment		**(4,333)**		**(4,132)**
	Equity dividend paid		(4,664)		(3,215)
	Net cash outflow before financing activities		**(6,310)**		**(6,174)**
	Financing				
	Shares issued from treasury	8,880		–	
	Net cash inflow from financing		8,880		–
	Decrease/(increase) in borrowings		**2,570**		**(6,174)**
	Reconciliation of net cash flow to movement in net debt				
	Decrease/(increase) in borrowings as above		2,570		(6,174)
	Exchange movements		1,178		(1,086)
	Net debt at 1 October		**(16,858)**		**(9,598)**
25	**Net debt at 30 September**		**(13,110)**		**(16,858)**

The notes on pages 36 to 48 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

a) Basis of preparation

The financial statements have been prepared on a going concern basis and under the historical cost basis of accounting, modified to include the revaluation of investments at fair value. The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice (the "SORP") for investment trusts and venture capital trusts issued by the Association of Investment Companies (the "AIC") in January 2009. All of the Company's operations are of a continuing nature. In the opinion of the Directors, the Company is engaged in a single segment business and therefore no segmental reporting is provided. The accounting policies applied for the year ended 30 September 2014 are unchanged from the previous year.

b) Valuation of investments held at fair value through profit or loss

The listed investments are designated at fair value through profit or loss, as the Company's investment portfolio is managed and its performance is evaluated on a fair value basis, in accordance with a documented investment strategy. Information about the portfolio is provided internally on that basis to the Company's Board. Fair value is deemed to be bid price or the last trade price depending on the convention of the exchange on which the investment is quoted.

Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as "gains or losses on investments held at fair value through profit or loss". Expenses that are incidental to the acquisition of an investment are expensed through the Income Statement as a capital item. Expenses that are incidental to the disposal of an investment are deducted from the proceeds of the sale of the investment. All purchases and sales are accounted for on a trade date basis.

c) Derivative instruments

Where appropriate, certain permitted transactions involving derivative instruments are used. Derivative transactions into which the Company may enter include forward currency contracts, CFDs, futures and options, and are measured at fair value. The fair value is the quoted trade price for the contract.

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

d) Foreign currency

The results and financial position of the Company are expressed in sterling, which is the functional and presentational currency of the Company. Sterling is the functional currency because the Company is listed in the UK with a predominantly UK shareholder base.

Transactions recorded in overseas currencies during the year are translated into sterling at the appropriate daily exchange rates. Monetary assets and liabilities and equity investments held at fair value through profit or loss which are denominated in foreign currencies at the balance sheet date are translated into sterling at the exchange rates ruling at that date.

Any gains or losses on the translation of foreign currency balances, whether realised or unrealised, are taken to the capital or to the revenue return of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature.

e) Income

Dividends receivable from equity shares are taken to the revenue return on an ex-dividend basis except where, in the opinion of Directors, the dividend is capital in nature in which case it is taken to the capital return. Income from fixed interest debt securities and preference shares is recognised using the effective interest rate method in accordance with the SORP. The ordinary element of scrip dividends received in lieu of cash dividends is recognised as revenue. Any enhancement above the cash dividend is treated as capital.

Bank interest is accounted for on an accruals basis.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

f) Management and administrative expenses and finance charges

All expenses and finance charges are accounted for on an accruals basis. The annual management fee and borrowing interest charges are allocated 75% to capital and 25% to revenue in line with the Board's expected long-term split of returns in the form of capital and income profits respectively.

In accordance with the SORP, tax relief, if applicable, is credited in respect of such allocations between capital and revenue using the marginal method.

In accordance with the SORP, the performance-related fee (when payable) is allocated 100% to capital, together with any tax relief in respect of such allocations, as the fee is based on outperformance against the Company's Benchmark Index. The FTSE World Europe ex UK Index on a total return basis in sterling terms is used as the "benchmark" against which performance is measured.

g) Taxation

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

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the effective tax rate of corporation tax for the accounting period.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Income Statement is the "marginal basis". Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Income Statement, then no tax relief is transferred to the capital return column.

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. Any liability to deferred tax is provided at the average rate of tax expected to apply based on tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

h) Borrowings

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

i) Dividends payable to shareholders

Dividends payable to shareholders are recognised in the financial statements when they are paid, or in the case of final dividends, when they are approved by shareholders. Dividends are dealt with in the Reconciliation of Movements in Shareholders' Funds.

j) Issue and repurchase of ordinary shares and associated costs

The costs of repurchasing ordinary shares, including related stamp duty and transaction costs, are taken directly to equity and reported through the Reconciliation of Movement in Shareholders' Funds, with the cost of the repurchase being charged to a capital or special distributable reserve. Share repurchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of called-up share capital and into the capital redemption reserve, in accordance with Section 733 of the Companies Act 2006. Where shares are repurchased and held in treasury, the transfer to the capital redemption reserve is made if and when such shares are subsequently cancelled.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

k) Capital reserves

The following are accounted for in this reserve:

- gains and losses on disposals of investments;
- realised foreign exchange differences of a capital nature;
- cost of repurchasing ordinary share capital;
- other capital charges and credits charged to this account in accordance with the above policies;
- increases and decreases in the valuation of investments held at the year end; and
- unrealised foreign exchange differences of a capital nature.

2 Gains/(losses) on investments held at fair value through profit or loss and on derivative instruments

	2014 £'000	2013 £'000
(a) Gains on the sale of investments based on historical cost	21,807	22,433
Revaluation gains recognised in previous years	(10,103)	(3,087)
Gains on investments sold in the year based on carrying value at previous balance sheet date	**11,704**	**19,346**
Revaluation gains on investments held at 30 September	6,895	12,482
Gains on investments held at fair value through profit or loss	**18,599**	**31,828**
(b) Realised gains on derivative instruments	–	58
	–	**58**

Where deemed appropriate, the use of certain permitted derivative instruments, that may include futures and options, CFDs and forward currency contracts is made for efficient portfolio management purposes.

3 Income from investments

	2014 £'000	2013 £'000
Listed investments:		
Overseas dividends	4,840	4,819
Franked UK dividends	224	226
Stock dividends	85	528
	5,149	**5,573**

4 Other income

	2014 £'000	2013 £'000
Deposit interest	2	2

5 Management and performance fees

	2014			2013		
	Income £'000	Capital £'000	Total £'000	Income £'000	Capital £'000	Total £'000
Management fee	267	800	1,067	248	744	992
Performance fee	–	1,171	1,171	–	87	87
	267	**1,971**	**2,238**	**248**	**831**	**1,079**

A description of the basis for calculating the management fee is given in the Strategic Report on page 4.

Management fees are allocated 25% to revenue and 75% to capital in the Income Statement. The performance fee (when payable) is allocated 100% to capital.

Notes to the Financial Statements (continued)

6 Other expenses

	2014 £'000	2013 £'000
Revenue:		
Directors' fees (see Directors' Remuneration Report on pages 22 to 23)	106	96
Fees payable to the Company's auditor	25	26
AIC subscriptions	14	12
Directors' and Officers liability insurance	7	7
Listing fees	17	13
Printing and postage	23	22
Other expenses payable to the management company[1]	63	75
Registrar's fees	41	28
Legal and professional fees	35	22
Other expenses	53	76
	384	**377**
Capital:		
Transaction costs incurred on acquisitions of investments	261	398
	645	**775**

1 Other expenses payable to the management company relate to marketing services.

7 Finance charges

	2014 £'000	2013 £'000
On bank overdrafts repayable within one year	525	423

Interest payable is allocated 25% to revenue and 75% to capital in the Income Statement.

8 Taxation

a) Analysis of charge for the year

	2014			2013		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Overseas tax suffered	510	–	510	552	–	552
Total taxation for the year	**510**	**–**	**510**	**552**	**–**	**552**

b) Factors affecting the tax charge for the year

	2014			2013		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Return on ordinary activities before taxation	**4,369**	**17,151**	**21,520**	**4,844**	**29,254**	**34,098**
Corporation tax at 22.0% (2013: 23.5%)	961	3,773	4,734	1,138	6,875	8,013
Effects of:						
Non-taxable capital profits	–	(4,293)	(4,293)	–	(7,144)	(7,144)
Non-taxable income	(1,111)	–	(1,111)	(1,309)	–	(1,309)
Write off of withholding tax	42	–	42	–	–	–
Current year expenses not utilised	150	520	670	171	269	440
Overseas tax	468	–	468	552	–	552
	510	**–**	**510**	**552**	**–**	**552**

Investment trusts are exempt from corporation tax on capital gains provided that they meet the tests under Section 1158 of the Corporation Tax Act 2010.

Notes to the Financial Statements (continued)

8 Taxation (continued)

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

The Company has not recognised a deferred tax asset totalling £1,647,000 (2013: £1,090,000) arising as a result of having unutilised management expenses and unutilised non-trade loan relationship deficits. These expenses will only be utilised if the Company has profits chargeable to corporation tax in the future.

9 Return per ordinary share

The return per ordinary share is based on the net return attributable to the ordinary shares of £21,010,000 (2013: net return of £33,546,000) and on 17,433,197 ordinary shares (2013: 16,919,919), being the weighted average number of ordinary shares in issue during the year. The return per ordinary share can be further analysed between revenue and capital, as below.

	2014 £'000	2013 £'000
Net revenue return	3,859	4,292
Net capital return	17,151	29,254
Net total return	**21,010**	**33,546**
Weighted average number of ordinary shares in issue during the year	17,433,197	16,919,919
Revenue return per ordinary share	22.14p	25.37p
Capital return per ordinary share	98.38p	172.90p
Total return per ordinary share	**120.52p**	**198.27p**

The Company does not have any dilutive securities, therefore the basic and diluted returns per share are the same.

10 Dividends paid and proposed on the ordinary shares

Dividends on ordinary shares	Record date	Payment date	2014 £'000	2013 £'000
Interim dividend (19.00p) for the year ended 30 September 2012	14 December 2012	31 December 2012	–	3,215
Interim dividend (21.30p) for the year ended 30 September 2013	13 December 2013	31 December 2013	3,604	–
Interim dividend (6.00p) for the year ended 30 September 2014[1]	30 May 2014	30 June 2014	1,060	–
			4,664	**3,215**

1 For the year ended 30 September 2014, the Board amended its policy from paying one interim dividend to paying an interim dividend part way through the year and recommending a final dividend after the year end.

The final dividend for the year ended 30 September 2014 has not been included as a liability in these financial statements. The total dividend payable in respect of the financial year, which forms the basis of the retention test under Section 1158 of the Corporation Tax Act 2010, is set out below.

	2014 £'000	2013 £'000
Revenue available for distribution by way of dividend for the year	3,859	4,292
Interim dividend (21.30p) for the year ended 30 September 2013 (based on 16,919,919 ordinary shares in issue at 13 December 2013)	–	(3,604)
Interim dividend (6.00p) for the year ended 30 September 2014 (based on 17,688,419 ordinary shares in issue at 30 May 2014)	(1,060)	–
Final dividend (17.45p) for the year ended 30 September 2014 (based on 17,873,419 ordinary shares in issue at 30 November 2014)	(3,119)	–
Undistributed revenue for Section 1158 purposes	**(320)**	**688**

Notes to the Financial Statements (continued)

11 Investments held at fair value through profit or loss

	2014 £'000	2013 £'000
Cost at 1 October	143,043	114,761
Additions at cost (excluding transaction costs)	227,810	229,354
Proceeds of disposal (net of transaction costs)	(226,599)	(223,505)
Realised gains on disposals	21,807	22,433
Cost at 30 September	**166,061**	**143,043**
Investment holding gains at 30 September	17,958	21,165
Valuation at 30 September	**184,019**	**164,208**

The Company's investments are registered in the name of nominees of, and held to the order of, HSBC Bank plc, as custodian to the Company. There were no contingent liabilities in respect of the investments held at the year end.

Purchase transaction costs for the year ended 30 September 2014 were £261,000 (2013: £398,000). These comprise mainly stamp duty and commission. Sale transaction costs for the year ended 30 September 2014 were £158,000 (2013: £286,000).

12 Debtors

	2014 £'000	2013 £'000
Amounts receivable within one year:		
Investments sold awaiting settlement	2,793	–
Accrued income	18	–
Prepaid expenses	13	9
Overseas withholding tax recoverable	242	411
	3,066	**420**

13 Creditors

	2014 £'000	2013 £'000
Amounts payable within one year:		
Investments purchased awaiting settlement	1,041	1,455
Accrued expenses and interest	1,946	553
Bank overdraft	31,053	22,679
	34,040	**24,687**

The Company has an uncommitted, secured multi-currency overdraft facility equal to the lesser of £40,000,000 and 25% of net assets with HSBC Bank plc. Interest is charged at the bank's fluctuating base rate, plus a margin of 1.25% per annum. Borrowings are repayable on demand.

Notes to the Financial Statements (continued)

14 Financial risk management policies and procedures

As an investment trust, the Company invests in equities and other investments for the long term so as to secure its investment objective and policy as stated on page 4. In pursuing its investment objective and policy, the Company is exposed to a variety of financial risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

These financial risks: market risk (comprising market price risk, currency risk and interest rate risk), credit risk, liquidity risk and gearing, and the Directors' approach to the management of these risks, are set out below and have not changed from the previous accounting period. The Board and Henderson coordinate the Company's risk management and there are various risk management systems in place as detailed below.

- Straight-through processing via a deal order and management system ("OMS") is utilised for listed securities, exchange-traded derivatives and OTC derivatives contracts with connectivity to third-party affirmation and trade repository services.
- Portfolio modelling and investment management functions (including order-raising, dealing and trade execution) are performed using one of, or a combination of, the following third-party software applications: Charles River Development OMS and/or Imagine.
- Fund pricing and accounting services are outsourced to a third-party administrator (currently BNP Paribas Securities Services) which utilises Hiportfolio software.
- The IT tools to which the Henderson risk, compliance and operations teams have access for independent monitoring and risk measurement purposes include:

  – Charles River Compliance module for investment restrictions monitoring;
  – Arc Logics operational risk database;
  – Riskmetrics for VaR statistics, stress-testing and back-testing;
  – UBS Delta, Style Research, Finanalytica and Barra Aegis for market risk measurement;
  – Bloomberg for market data and price-checking; and
  – Hiportfolio for portfolio holdings and valuations.

These are supplemented by in-house systems: derivatives risk and compliance database ("DRAC") and counterparty exposure ("CER") reports.

14.1 Market risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. This market risk comprises market price risk (see note 14.1.1), currency risk (see note 14.1.2) and interest rate risk (see note 14.1.3). The Board reviews and agrees policies for managing these risks. Henderson assesses the exposure to market price risk when making each investment decision and monitors the overall level of market price risk on the whole of the investment portfolio on an ongoing basis.

14.1.1 Market price risk

The Company is an investment company and as such its performance is dependant on the valuation of its investments. Consequently, market price risk is the most significant risk to which the Company is exposed. The Company's investment objective and policy require it to invest mainly in listed Continental European stocks.

At 30 September 2014 the fair value of the Company's assets exposed to market price risk was £184,019,000 (2013: £164,208,000). The fair value of the investments in the portfolio is normally their bid-market price. The market price of investee companies' shares is subject to their performance, supply and demand for the shares and investor sentiment regarding the companies, their industry sectors and the countries in which they operate. The 12% rise in the value of assets exposed to market risk was mainly attributable to the increase in the market prices of investments.

The Company invests in a diversified portfolio of investments. In accordance with the Company's investment objective and policy the portfolio contains between 50 and 60 stocks, with a maximum single stock weighting of 10% of the net asset value ("NAV") of the portfolio at the time of investment. Stocks weighted at 5% of the portfolio or more will not exceed 40% of the NAV in aggregate. The minimum stock weight is typically 1% of NAV at the time of investment. The largest individual stock at the year end represented 8.4% (2013: 7.2%) of the value of the portfolio. The Company may use derivative instruments (such as futures and options) for the purpose of efficient portfolio management up to 10% of net assets. As at 30 September 2014 the Company had no exposure to such instruments.

Notes to the Financial Statements (continued)

14 Financial risk management policies and procedures (continued)

14.1.1 Market price risk (continued)

The level of risk relative to the Benchmark Index is increased by over or underweighting industry sectors and, to a lesser extent, country exposures and stock exposures relative to the Benchmark Index, which tends to concentrate risk in those over and underweighted areas. As can be seen from the chart on page 7 the largest industry sector weighting variances at the year end were in the financials, consumer services and industrials (underweight) and health care (overweight) sectors. These weightings reflect the strategy outlined in the Fund Manager's Report on pages 8 and 9.

To illustrate the Company's sensitivity to market prices, a 10% change to the market value (in sterling terms) of the equity portfolio at 30 September 2014 would generate a corresponding increase or decrease in the NAV per ordinary share of 10.6% or £18.4 million.

14.1.2 Currency risk

The majority of the Company's assets are denominated in currencies other than sterling so the Company's total return and Balance Sheet can be significantly affected by currency fluctuations. No hedging of the currency exposure is currently undertaken. Revenue received in currencies other than sterling is converted into sterling on, or shortly after, the date of receipt. Whilst the Board and Henderson monitor geographical and currency exposure it is not a key determinant of investment decisions. At the year end 101.3% (2013: 100.6%) of the Company's net assets were denominated in currencies other than sterling, the largest proportion being euro, at 68.5% (2013: 63.1%) of net assets.

The table below shows, by currency, the split of the Company's non-sterling assets and liabilities at the year end:

	2014 £'000	2013 £'000
Monetary assets (net)		
Cash and short-term receivables:		
Euro	15,021	131
Swiss franc	171	–
Norwegian kroner	–	36
Swedish kroner	–	244
Monetary liabilities		
Bank overdraft and short-term payables		
Euro	(1,041)	(2,505)
Swiss franc	(3,160)	(3,335)
Swedish krona	(12,793)	(9,305)
Danish kroner	(7,048)	(928)
Norwegian kroner	(1,992)	(1,790)
Non-monetary assets		
Non-current asset investments held at fair value:		
Euro	103,102	94,381
Swiss franc	39,604	38,235
Swedish krona	22,590	19,906
Norwegian kroner	5,090	6,128
Danish kroner	13,633	5,558
Total	**173,177**	**146,756**

The level of assets exposed to currency risk increased by approximately 18% during the year. In common with the exposure to market price risk, this was mainly attributable to increases in the market prices of investments held. Subject to this the relative levels of exposure to currencies at the beginning and end of the year were broadly representative of levels through the period.

Notes to the Financial Statements (continued)

14 Financial risk management policies and procedures (continued)

14.1.2 Currency risk (continued)

As can be seen from the table on page 43, the most significant currency exposures are to the euro and Swiss francs. Over the financial year to 30 September 2014, sterling appreciated by 7.3% against the euro (2013: depreciated by 4.7%) and appreciated by 5.8% against the Swiss franc (2013: depreciated by 3.5%). It is not possible to forecast how much exchange rates might move in the next financial year, but based on the movements in the above two major currencies over the last two years, it appears reasonably possible that rates could change by 10%.

The following table illustrates the Company's sensitivity to movements in exchange rates relative to sterling. The sensitivity analysis is based on the Company's non-sterling assets held at the balance sheet date and assumes a 10% appreciation or depreciation of sterling against each of the currencies to which the Company is exposed, with all other variables held constant. A 10% appreciation of sterling would reduce the value of net assets by approximately 9.1% or £15.7 million (2013: 8.7% or £13.3 million). Revenue return for the forthcoming year would be reduced by £468,000 (2013: £438,000). The effect on capital return would be materially the same as the effect on net assets.

	2014		2013	
	Net assets £'000	Revenue £'000	Net assets £'000	Revenue £'000
Euro	10,645	229	8,365	245
Swiss francs	3,329	127	3,194	137
Other currencies	1,772	112	1,781	56
	15,746	**468**	**13,340**	**438**

It should be noted that a number of investee companies derive a proportion of their profits from markets subject to currencies other than that in which their shares are denominated, so changes in the relevant currency exchange rates relative to each other are also likely to have an indirect impact. Also, the above illustration is based on exposures at the year end. Exposures may be subject to change during the year as a result of investment decisions.

Liabilities denominated in foreign currencies at the year end and prior year relate to bank borrowings and investment transactions awaiting settlement. The balance outstanding at the year end was not material in the context of currency risk.

14.1.3 Interest rate risk

The Company finances part of its activities through the use of a secured uncommitted multi-currency overdraft facility equal to the lesser of £40,000,000 and 25% of net assets provided by HSBC Bank plc. Interest rates are set at the time drawings are made based on the bank's base rate, plus a margin of 1.25% per annum. During the year, the maximum drawn under the facility was £36,264,000 (2013: £30,316,000) and the weighted average interest rate was 1.75% (2013: 1.75%). No hedging of the interest rate is undertaken. At 30 September 2014 there were drawings of £31,053,000 outstanding, of which £24,935,000 were in foreign currencies (2013: £22,679,000, of which £16,383,000 were in foreign currencies).

The Company earns interest on its cash and short-term deposits. Overdraft drawings and deposits are rarely fixed for periods of more than one week.

At 30 September 2014, financial assets and liabilities exposed to floating interest rates were as follows:

	2014 £'000	2013 £'000
Financial assets		
Cash balances	**17,943**	**5,821**
Financial liabilities		
Bank overdraft	(31,053)	(22,679)

The Company has no direct exposure to fixed interest rates.

The year end amounts are not representative of the exposure to interest rates either during the year just ended nor for the year ahead, since the level of borrowings and/or cash held will be affected by the strategy being followed in response to the Board's and Fund Manager's perception of market prospects and the investment opportunities available at any particular time. However, to illustrate the potential sensitivity to changes in interest rates, if £34 million was drawn from the uncommitted multi-currency overdraft facility (based on the 20% gearing limit set by the Board), a change of 0.5% in the rate of interest charged would, over the course of a year, amount to £170,000 (ignoring any exchange rate movements), less than 0.1% of year end net assets.

Notes to the Financial Statements (continued)

14 Financial risk management policies and procedures (continued)

14.2 Credit risk

Credit risk is the Company's exposure to financial loss from failure of a counterparty to deliver securities or cash for acquisitions or disposals of investments or to repay deposits. The Company manages credit risk by using brokers from a database of approved financial institutions who have undergone rigorous due diligence tests by Henderson's risk management team and by dealing through Henderson with banks authorised by the Financial Conduct Authority.

At 30 September 2014, the maximum exposure to credit risk was £20,736,000 (2013: £5,821,000), comprising:

	2014 £'000	2013 £'000
Cash at bank	17,943	5,821
Investments sold awaiting settlement	2,793	–

All of the above financial assets are current, their fair values are considered to be the same as the values shown and the likelihood of default is considered to be low.

14.3 Liquidity risk

Liquidity risk is the possibility of the Company failing to realise sufficient assets to meet its financial obligations. The Company minimises this risk by having a bias to larger capitalised companies, by investing in listed companies and by ensuring that it has adequate cash and credit facilities in place to meet its obligations. The Company's liquidity is mostly held in euros, almost entirely in interest-bearing current accounts or short-term deposits in the money market. Deposits are rarely fixed for terms in excess of one week and, if amounts are substantial, are placed with different deposit takers so that, at any given time, deposits do not exceed €8,000,000 with any one deposit taker. Cash requirements are monitored on a regular basis by Henderson.

At 30 September 2014, the fair value of financial liabilities was £34,040,000 (2013: £24,687,000), comprising:

	2014 £'000	2013 £'000
Due within one month:		
Investments purchased awaiting settlement	1,041	1,455
Bank overdraft	31,053	22,679
Accrued expenses and interest	1,946	553

14.4 Gearing

Market risks can be amplified by gearing. As discussed above, in addition to using shareholders' funds to finance investments the Company can also invest funds available from drawings on its overdraft facility. Such gearing will exaggerate the effect on the NAV of a change in the value of the portfolio. If the Company's uncommitted multi-currency overdraft facility was extended to the level permitted by the Board the bank gearing would amount to 20% of net assets and in those circumstances a change of 10% in the value of the portfolio would be expected to change the NAV by approximately 12.0%.

As noted on page 44 in the interest rate risk section, the level of borrowings and/or cash held during the year will be affected by the strategy being followed in response to the Board's and Henderson's perception of market prospects and the investment opportunities available at any particular time.

At the year end there was bank gearing of 7.7% (2013: 11.6%).

Notes to the Financial Statements (continued)

14 Financial risk management policies and procedures (continued)

14.5 Fair value hierarchy

Under FRS 29 'Financial Instruments: Disclosures' the Company is required to classify fair value measurements using a fair value hierarchy that reflects the significance of these inputs used in making the measurements. The fair value hierarchy shall have the following levels:

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

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 of input that is significant to the fair value measurement of the relevant asset. Financial assets and liabilities measured at fair value are grouped into the fair value hierarchy at 30 September 2014 and the previous year as follows:

2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss:				
Quoted equities	184,019	–	–	184,019

2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss:				
Quoted equities	164,208	–	–	164,208

The fair value of the Company's investments in quoted equities has been determined by reference to their quoted bid prices at the reporting date. Quoted equities included in Level 1 are actively traded on recognised stock exchanges. Short term balances are excluded as their carrying value at the reporting date approximates to their fair value.

14.6 Capital management policies and procedures

The Company's capital management objectives are to ensure that it will be able to continue as a going concern; and to maximise the revenue and capital return to its equity shareholders. This is achieved through an appropriate balance of equity capital and debt.

The Company's capital at 30 September 2014 comprises its equity share capital and reserves that are shown in the Balance Sheet at a total of £170,988,000 (2013: £145,762,000).

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

- the planned level of gearing, which takes into account the Fund Manager's view on the market;
- the need to buy back equity shares, either for cancellation or to hold in treasury, which takes account of the difference between the NAV per share and the share price (i.e. the level of share price discount or premium) as well as the discount of the peer group and the level of the equity market;
- the need for new issues of equity shares, including sales from treasury; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company is subject to several externally imposed capital requirements:

- borrowings are not to exceed 25% of the adjusted NAV;
- as a public company, the Company has a minimum share capital of £50,000; and
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet the capital restriction tests imposed on investment companies by company law.

The Company has complied with these requirements.

The Company's objectives, policies and procedures for managing capital are unchanged from last year.

Notes to the Financial Statements (continued)

15 Called up share capital

	2014 £'000	2013 £'000
Allotted, issued and fully paid		
17,873,419 (2013: 16,919,919) ordinary shares of 50p each	8,937	8,460
330,730 (2013: 1,284,230) ordinary shares of 50p each held in treasury	165	642
	9,102	**9,102**

During the year to 30 September 2014, the Company sold 953,500 (2013: nil) ordinary shares from treasury, with proceeds of £8,880,000 (2013: nil). The ordinary shares held in treasury have no voting rights and are not entitled to dividends.

16 Special distributable reserve

	2014 £'000	2013 £'000
Balance brought forward	19,749	19,749
Shares sold from treasury	5,084	–
Balance at 30 September	**24,833**	**19,749**

The special distributable reserve was created on 11 July 2007 following the cancellation of the share premium account and the capital redemption reserve and is available to fund market purchases and the subsequent cancellation of own shares.

During the year 953,500 shares were sold from treasury with the proceeds split between the special distributable reserve and the share premium account.

17 Share premium account

The share premium account represents the excess received where treasury shares are sold for more than the Company paid to purchase the shares placed into treasury.

18 Merger reserve

The merger reserve represents the premium over the nominal value of ordinary shares issued in March 1997 in connection with the acquisition of The German Investment Trust plc.

19 Capital redemption reserve

	2014 £'000	2013 £'000
Balance brought forward	9,421	9,421
Balance at 30 September	**9,421**	**9,421**

The capital redemption reserve represents the nominal value of ordinary shares repurchased and cancelled subsequent to 11 July 2007.

20 Capital reserve

	2014 £'000	2013 £'000
Balance brought forward	34,423	5,169
Gains on disposal of investments	11,704	19,346
Movement in fair value of investments	6,895	12,482
Realised gains on derivative instruments	–	58
Exchange gains/(losses) on currency transactions	1,178	(1,086)
Management fee allocated to capital	(800)	(744)
Performance fee allocated to capital	(1,171)	(87)
Interest payable allocated to capital	(394)	(317)
Transaction costs incurred on acquisitions of investments	(261)	(398)
Balance at 30 September	**51,574**	**34,423**

Notes to the Financial Statements (continued)

21 Revenue reserve

	2014 £'000	2013 £'000
Balance brought forward	11,723	10,646
Net revenue return for the year after tax	3,859	4,292
Net dividends paid (note 10)	(4,664)	(3,215)
Balance at 30 September	**10,918**	**11,723**

The revenue reserve represents the amount of the Company's reserves which are distributable by way of dividend.

22 Net asset value per ordinary share

The NAV per ordinary share is based on the net assets attributable to the ordinary shares of £170,988,000 (2013: £145,762,000) and on 17,873,419 (2013: 16,919,919) shares in issue on 30 September 2014, excluding treasury shares.

23 Capital commitments and contingent liabilities

There were no capital commitments or contingent liabilities as at 30 September 2014 (2013: nil).

24 Reconciliation of return before finance costs and taxation to net cash inflow from operating activities

	2014 £'000	2013 £'000
Net return before finance costs and taxation	22,045	34,521
Stock dividends	(85)	(528)
Gains on investments held at fair value	(18,599)	(31,828)
Gains on derivative instruments	–	(58)
Other currency (gains)/losses	(1,178)	1,086
Increase in accrued income	(18)	–
Decrease/(increase) in prepayments and overseas withholding tax recoverable	165	(33)
Increase/(decrease) in accrued expenses (excluding interest)	1,376	(1,048)
Tax deducted at source from investment income	(510)	(552)
Net cash inflow from operating activities	**3,196**	**1,560**

25 Analysis of changes in debt

	At 30 September 2013 £'000	Cash flow £'000	Exchange gain £'000	At 30 September 2014 £'000
Cash at bank and held at broker	5,821	12,122	–	17,943
Bank overdraft	(22,679)	(9,552)	1,178	(31,053)
Net debt at 30 September	**(16,858)**	**2,570**	**1,178**	**(13,110)**

26 Transactions with the management company

Under the terms of an agreement effective from 22 July 2014 (which replaced the agreement dated 20 February 2012 in order to reflect the appointment of an Alternative Investment Fund Manager in accordance with the requirements of the Alternative Investment Fund Managers Directive), the Company has appointed wholly owned subsidiaries of Henderson Group plc ("Henderson") to provide investment management, accounting, administrative and secretarial services. Henderson has contracted with BNP Securities Services to provide accounting and administration services.

Details of the fee arrangements are given on page 4 in the Strategic Report. During the year £2,301,000 (including a performance fee of £1,171,000) was payable to Henderson for the provision of services to the Company (2013: £1,154,000, including a performance fee of £87,000). At the balance sheet date, management fees totalling £550,000 (2013: £266,000) and the performance fee of £1,171,000 (2013: £87,000) were accrued to be payable to Henderson.

Henderson also provides the Company with sales and marketing services. The total fee payable for these services for the year ended 30 September 2014 (including VAT) amounted to £63,000 (2013: £75,000). At 30 September 2014 £36,000 was outstanding (2013: £21,000).

General Shareholder Information

BACS

Dividends can be paid by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the registrar. Alternatively, shareholders can write to the registrar (the address is given on page 13) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Disability Act

Copies of this report and other documents issued by the Company are available from the Corporate Secretary. If needed, copies can be made available in a variety of formats, including Braille or larger type as appropriate.

You can contact the registrar, Equiniti Limited, which has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator by dialling 0871 384 2455. Specially trained operators are available during normal business hours to answer queries via this service. Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for Deaf People) dial 18001 followed by the number you wish to dial.

FCA restrictions

The Company currently conducts its affairs so that its ordinary shares of 50p each can be recommended by IFAs to ordinary retail investors in accordance with the Financial Conduct Authority's ("FCA") rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

ISA

The Company intends to continue to manage its affairs in order to qualify as an eligible investment for a stocks and shares ISA.

Share price listings

The market price of the Company's ordinary shares is published daily in The Financial Times, which also shows figures for the estimated net asset value ("NAV") per share and discount.

Performance details/share price information

Details of the Company's share price and NAV per share can be found on the website. The Company's NAV is published daily.

Shareholder details

Shareholders who hold their shares in certificated form can check their shareholding with the registrar, Equiniti Limited, via **www.shareview.co.uk**. Please note that to gain access to your details on the Equiniti site you will need the holder reference number shown on your share certificate.

Nominee share code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at them when invited to do so by the Chairman. Investors via Halifax Share Dealing receive all shareholder communications. A voting instruction form is provided to facilitate voting at general meetings of the Company.

Warning to shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company's Registrar, Equiniti, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you are in any doubt about the veracity of an unsolicited phone call, please call the Corporate Secretary at the number provided on page 13.

Alternative Investment Fund Managers Directive

Henderson and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a Key Investor Information Document ("KIID") which can be found on the Company's website **www.hendersoneuropeanfocus.com**. There have been no material changes to the disclosures contained within the KIID since publication in July 2014.

The periodic disclosures to investors are made below:

- information on the investment strategy, geographic and sector investment focus and principal stock exposures are included in the Strategic Report. A full list of portfolio holdings is included on page 10;

- none of the Company's assets are subject to special arrangements arising from their illiquid nature;

- the Strategic Report and note 14 to the accounts set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;

- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by Henderson; and

- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. It is therefore anticipated that the Henderson Remuneration Policy and associated financial disclosures will be made with the Company's Annual Report from 2016.

Leverage

Although leverage is often used as another term for gearing, under the AIFMD regulations leverage is expressed as a ratio of the exposure of debt, non-sterling currency, equity or currency hedging and derivatives exposure against the net asset value ("NAV"). It defines two types of leverage, the gross method and the commitment method.

These are essentially the same other than the commitment method allows derivative instruments to be netted off to reflect "netting" or "hedging arrangements". Non-sterling cash is deemed to carry a currency exposure so is considered to be leverage. In accordance with the AIFMD the Company is obliged to disclose the maximum expected leverage levels under both methods and this is disclosed on page 51. In order to comply with the AIFMD the maximum leverage levels have been set in accordance with the maximum gearing allowable by the Company's Articles of Association. However, the day-to-day management of gearing and leverage levels will be conducted within the tighter limits set by the Company's investment policy.

Leverage may be applied to the portfolio by utilising financial gearing (such as bank borrowings and overdrafts) and synthetic gearing (through derivatives and/or other non-fully funded instruments or techniques for efficient portfolio management purposes such as stock-lending). Typically, leverage will arise through the use of index futures, forward foreign exchange contracts or contracts for difference, where cash is paid to the counterparty as a margin against the current mark-to-market value of the derivative contract; as a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may even result in further loss exceeding any margin deposited. The use of leverage therefore creates additional risks and may significantly increase the market and counterparty risk of the Company through non-fully funded exposure to underlying markets or securities.

Leverage is considered in terms of the Company's overall "exposure" to financial or synthetic gearing and includes any method by which the exposure of the Company is increased whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means. Henderson is required, in accordance with the AIFMD, to calculate and monitor the level of leverage of the Company, expressed as the ratio between the total exposure of the Company and its NAV with exposure values being calculated by both the gross method and commitment method.

Exposure values under the gross method basis are calculated as the absolute value of all positions in the portfolio; this includes all eligible assets and liabilities, relevant borrowings, derivatives (converted into their equivalent underlying positions) and all other positions, even those held purely for risk reduction purposes, such as forward foreign exchange contracts held for currency hedging.

The gross method of exposure of the Company requires the calculation to:

- include the sum of all non-derivative assets (if applicable) held at market value, plus the absolute value of all such liabilities;

- exclude cash and cash equivalents which are highly liquid investments held in the base currency of the Company, that are readily convertible to a known amount of cash, which are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three month high quality bond;

- include derivative instruments which are converted into the equivalent position in their underlying assets;

- exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;

- include exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed; and

Alternative Investment Fund Managers Directive
(continued)

- include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements as applicable.

Exposure values under the commitment method basis are calculated on a similar basis to the above, but may take into account the effect of netting off instruments to reflect eligible netting and hedging arrangements on eligible assets and different treatment of certain cash and cash equivalent items in line with regulatory requirements.

The calculation of leverage assumes that a leverage percentage of 100% equates to zero leverage. A percentage above 100% would mean that the portfolio had leverage equal to the percentage amount above 100%.

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

	As a percentage of net assets	
	Gross method %	Commitment method %
Maximum level of leverage	275	275
Actual	116	120

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement.

Changes to the information contained either within this Annual Report or the KIID in relation to any special arrangements in place, the maximum level of leverage which Henderson may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

Henderson European Focus Trust plc
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