Henderson EuroTrust plc

Annual Report 2020

Seeking growth, quality and consistency

MANAGED BY
Janus Henderson
INVESTORS

Strategic Report

Investment Objective

The Company aims to achieve a superior total return from a portfolio of high quality European (excluding the UK) investments.

Strategic Report

Governance

Financial Statements

Additional Information

Performance highlights

Total return performance to 31 July 2020

	1 year %	3 years %	5 years %	10 years %
NAV[1]	10.4	25.6	74.5	219.2
Share price[2]	9.0	15.8	54.7	223.3
Benchmark[3]	-2.8	7.7	43.7	119.2
Peer group NAV[4]	1.1	13.5	50.8	174.0

Year to 31 July

	2020	2019
NAV per share at year end	£13.93	£12.94
Dividend for year[5]	25.0p	31.0p
Ongoing charge	0.81%	0.81%
Number of investments at year end[6]	44	40
Net assets	£295.2m	£274.1m
Share price at year end	£12.35	£11.65
Dividend yield[7]	2.0%	2.4%
Gearing at year end (% of NAV)	£9.6m (3.2%)	£1.6m *(0.6%)*
Discount at year end[8]	11.4%	10.0%

1 Net asset value ('NAV') per ordinary share total return (including dividends reinvested)
2 Share price total return (including dividends reinvested)
3 FTSE World Europe (ex UK) Index
4 AIC Europe Sector
5 Including the 8.0p interim dividend paid on 24 April 2020 and the 17.0p final dividend which will be put to shareholders for approval at the Annual General Meeting on 18 November 2020
6 Excluding the nil value position in OW Bunker and Cellnex Rights Issue (2019: excluding OW Bunker)
7 Based on the share price at the year end
8 Calculated using published daily NAVs including current year revenue

Sources: Morningstar Direct, Janus Henderson, Refinitiv Datastream
A glossary of terms can be found on page 71 and Alternative Performance Measures can be found on pages 72 and 73

Chairman's statement

Nicola Ralston
Chairman

'We take the view that companies with a robust ESG approach will consistently produce better and more consistent returns over time'

Chairman's statement

Performance

In the latest financial year the Company has delivered strong absolute performance in both share price and net asset value ('NAV'), and has also materially outperformed our peer group (the AIC Europe Sector). The net assets of the Company rose by 10.4% on a total return basis, and share price total return including dividends by 9.0%. By contrast, the return on benchmark, the FTSE World Europe (ex UK), was a negative 2.8%. The share price total return of 9.0% was ahead of the 1.1% return for the peer group. NAV increased by more than the share price total return, as the discount to NAV widened, from 10.0% as at 31 July 2019 to 11.4% at the year end.

I am particularly pleased that we have been able to deliver this outperformance to shareholders given the backdrop of the COVID-19 crisis and extreme market volatility which accompanied the spread of the pandemic in the first quarter of the calendar year. I reiterate the point I made in the half-year report, that our core investment approach – seeking growth, quality and consistency through a disciplined framework for analysing and comparing companies – has proved to be of real value during the market crisis. As markets came to terms with a previously unthinkable lockdown, massive changes to many areas of everyday life and the potential demise of previously viable business models, our Fund Manager, Jamie Ross was able to use this framework and update his assumptions and forecasts company by company. As he explains in his Report, this approach provided the basis to determine which companies still justified their place in the portfolio, and to assess potential replacement holdings where this was not the case.

Dividend

The Board is aware how important dividends are to shareholders. As the COVID-19 pandemic took hold, many companies in Europe and elsewhere chose, or were obliged, to conserve cash instead of paying out excess cash by way of dividends. At the interim stage we did not have visibility on the final amount of dividends from our portfolio constituents, as many European companies declare their dividends at around the time of our half-year results announcement in March. At that stage, therefore, we decided to keep the interim dividend unchanged. In the event, total dividend income for the year fell by nearly a quarter, from £6.1m in the previous year to £4.7m.

In the last two Annual Reports, I have flagged that the pace of dividend growth produced by the Company was likely to moderate. This was a reflection of the fact that the growth companies of the future, which your Fund Manager has been identifying so successfully, often choose lower dividend payout ratios in order to invest more cash in profitable growth – I am referring in large part to healthcare, communications, IT technology and platform businesses which you will find in our portfolio. However, due to the economic and political impact of COVID-19, the anticipated lower payout ratios from the portfolio of companies we choose to hold has coincided with cuts in dividends which were simply not contemplated a year ago. Indeed, the level of revenue after tax may still be lower in four years' time than it was in the year to 31 July 2019.

Some commentators take the view that the dividend cuts are optional for investment trusts, due to the power to pay dividends out of capital. The Board is of the opinion that, for a trust which focuses on delivering a superior total return, rather than on income, such an approach does not make sense and would also impose adverse tax consequences on many of the individual shareholders. After very careful consideration, the Board has decided to move from targeting a progressive dividend to a strategic policy of paying out substantially all of the dividend income generated by the Company in the financial year. Reflecting the fact that the Company currently has a significant revenue reserve, the Board is proposing to smooth the transition to this new policy by paying out the majority of the current revenue reserve over the next three to four years. Therefore, as a shareholder, you can think of the dividend over the next few years as being the sum of two components; an ongoing 'normal' payout of substantially all of the income generated by the companies held by the Company, combined with a 'special' payout of a portion of the revenue reserve.

The Board has adopted this new dividend policy because we believe that it is in the best interests of the shareholders for the Fund Manager to continue with his stated investment approach, rather than shifting the portfolio towards companies with higher dividend yields. The Company's focus, after all, is investing in growth stocks.

We have therefore proposed a final dividend for the year of 17.0p which compares with 23.0p for the year ended 31 July 2019. This brings the total dividend for the year to 25.0p (year ended 31 July 2019 – 31.0p). In order to pay this amount, we will be using £0.637m of the revenue reserve.

Discount to NAV

Yet again, despite excellent investment and share price performance, the Company's shares have continued to trade at a significant discount to NAV. The discount has averaged 10.7% over the financial year (2019: 9.2%). My contacts with shareholders, and those of our Manager and broker, convince us that this is not driven by any negative view of the investment team, the investment performance or the investment approach, nor of the Manager or the governance of the Company. Rather it appears to be a consequence of a lack of enthusiasm for investing in European equities, and concern that our size does not facilitate sufficient liquidity in the Company's shares. Liquidity is a particular issue for larger wealth managers who increasingly find it difficult to build or unwind a holding in the size required by their business.

We are well aware that a number of investment companies have been successful in reducing or even eliminating their discounts, so that they are able to issue stock and grow the size of the company, thus enhancing liquidity and reducing

Chairman's statement (continued)

per share costs. However, many of those trusts have a very different investment profile from ours; many invest in less liquid alternatives, or have adopted highly distinctive, often specialised strategies. Furthermore, in my experience, there is no consensus amongst current and potential shareholders as to how the discount could be narrowed or eliminated on a sustainable basis. Nonetheless, I can assure shareholders that the Board keeps under active review all options in respect of reducing the discount. The Company has traded at a premium to NAV and issued new stock as recently as 2016, prior to the Brexit vote, and we seek to be in a position to do so again.

Investing sustainably

Environmental, Social and Governance ('ESG') considerations are a key component in the investment process of your Company. Such considerations are an inherent element in the process of identifying sustainable business practices to generate long-term value. In recent years companies have become increasingly aware of the importance of ESG issues as a key component of their business practice and governments, especially in Europe, are pushing them further into that direction.

We take the view that companies with a robust ESG approach will consistently produce better and more consistent returns over time, thus attracting a lower cost of capital. Over the last year, your Board and Fund Manager have reviewed the approach to ESG considerations in depth and have articulated more specifically what the Board and the Fund Manager mean by sustainability in the investment process. We have come to the conclusion that, rather than using external services which provide ESG ratings (with the risk of window dressing or greenwashing, and of stark inconsistencies between the ratings of different providers), the Fund Manager will continue to assess, through his proprietary investment process and Ranking Framework, which companies offer attractive long-term investment returns as a result of their sustainable business practices. Your Company will be biased towards companies that score more highly on ESG considerations within the Ranking Framework and we will be transparent with regards to our exposures in our communications to you. Analysing sustainability is an integral and fundamental part of the active management process of your Company.

The surprising benefits of active management

I have already referred to the outperformance of the Company's NAV in the year to 31 July 2020, with a total return 13.2% ahead of the benchmark index, net of all costs. This is a large amount by any standards. As was the case last year, over the previous decade net asset performance has exceeded the index benchmark in all but one year (2017), when the net asset performance was 0.3% behind the comparator. Performance continues to be driven by stock selection decisions; as shown in the performance drivers over the year ended 31 July 2020 table on page 8, stock selection (as opposed to sector selection) accounted for almost all outperformance in the year under review. This is as we would expect from our Fund Manager's approach, which is covered amply in his Report.

So why do I refer to the surprising benefits of active management? We hear a great deal about the challenges of active management, for example, 'closet indexing' (charging active fees for portfolios which are simply too similar to the index to deliver much added value), over-commitment to illiquid securities in open-ended funds, managers who are whip-sawed by changing circumstances or who simply 'follow the wrong horses' too frequently. Such concerns are often justified. There is a danger, though, that investors draw the unhelpful conclusion that outperformance is either impossible or, if it is achieved, must be a lucky accident or the result of excessive risk. Author and economist John Kay, drawing on his experience as director of another investment trust, wrote in the Financial Times on 29 August 2020 that there were 'two compelling models for an investment trust [one being] to pursue a style derived from a well-articulated investment philosophy. Such a strategy is based on a view about business, rather than assets or markets, and on a view about the future of particular firms and products, rather than a macroeconomic prediction about the future policy of the Federal Reserve Board'. This is a good description of the approach followed by your Fund Manager, which has led to very positive results in terms of performance over both the short and the long term.

Board

As part of the Board's succession plan and having completed the maximum permitted term of nine years under the Board's tenure policy, David Marsh will be retiring as a Director at the conclusion of the Annual General Meeting. Over his nine year tenure as a Director, David has made a major contribution to the Company. His depth of experience and understanding of European politics and economics has been invaluable, but I have particularly appreciated David's willingness to express his views on important matters in a supportive manner, but untrammelled by consensus. On a small Board such as ours, every individual's contribution is significant, but David's unique mix of experience and personal qualities will be very much missed.

I am, however, very pleased to welcome Stephen King, who was appointed as a Director on 1 December 2019. Having been HSBC chief economist for 17 years until 2015, Stephen is currently senior economic adviser to HSBC on a part-time basis. Stephen has held senior economist positions at the Treasury. Fortunately, Stephen was able to attend his first Board meeting in person, at the end of January, before the pandemic resulted in subsequent meetings being conducted by video-conference. Stephen rapidly established himself as an integral member of your Board and has already been making a positive contribution to its deliberations; he also

Chairman's statement (continued)

helped to lighten lockdown by sharing some of his piano performances with us online. Stephen will stand for election at the Annual General Meeting in November 2020.

Annual General Meeting ('AGM')

The Company's AGM is currently scheduled to take place at 2.30pm on Wednesday 18 November 2020. In view of the ongoing restrictions on public gatherings, the Board invites shareholders to attend the AGM via webinar. Shareholders are strongly encouraged to submit their proxy forms ahead of the proxy-voting deadline at 2.30pm on 16 November 2020 to ensure their vote counts, as there can be no live voting. The statutory business of the AGM will be conducted on a poll, counting the Directors in the quorum, and the Chairman will hold the proxy votes. The Fund Manager will present his review of the year and thoughts on the future during the webinar, and will be pleased to answer shareholder questions, as will the Board.

The Board commits to holding physical meetings in future when restrictions are not in place and these can be held safely; however in case of any further extraordinary crises such as the COVID-19 lockdown, the Company is putting a proposed amendment to the Company's articles of association to shareholders to enable a combination of virtual and physical shareholder meetings to be held in the future.

Instructions on joining the meeting and details of resolutions to be put to the AGM are included in the Notice of Meeting sent to shareholders with this Annual Report and are on our website at **www.hendersoneurotrust.com**. If shareholders would like to submit any questions in advance of the AGM, they are welcome to send these to the Corporate Secretary at **itsecretariat@janushenderson.com**.

Outlook

Investing in equities is all about putting a price on uncertainty; 2020 has been a lesson in the need to be able to deal with scenarios so extreme as to be barely worth contemplating. I am duly forewarned about the hazards of making any comments about the future. I would acknowledge that the overall market backdrop has, after a chaotic period in February and March, been rather more benign than one might reasonably have expected in the circumstances. Nonetheless I am heartened by the way in which our Manager has continued to operate successfully in the most challenging circumstances.

As shareholders will be aware, the Fund Manager does not seek to assess the path of economic recovery for European or indeed global markets and neither he nor your Board are experts in epidemiology. We make no forecasts regarding the likelihood of second waves nor when or if vaccines for COVID-19 will enable social and economic life to return to 'normality'. Yet, the painstaking business of company analysis continues in very much the same way as previously, even if for the moment conducted over video conference and, for the most part, from home. Despite the problems of unpredictable lockdowns and new outbreaks of COVID-19, the Fund Manager continues to identify opportunities for putting money to work in new holdings, to the extent that the Company is modestly geared (1.8% as at 30 September 2020). The speed and extent of a recovery in dividends remain uncertain but shareholders will benefit from our decision to use the revenue reserve to pay dividends in excess of those earned, over the next several years.

Nicola Ralston
Chairman
1 October 2020

Fund Manager’s report

Jamie Ross
Fund Manager

‘We will continue to adhere to our strict investment process and will strive to build upon what we have learnt during this extraordinary year’

Fund Manager's report

What an extraordinary year we have just witnessed. The COVID-19 pandemic, which emerged halfway through the period, has had a dramatic and tragic impact. Over 1,000,000 people have died and much of the world has experienced periods of severe social restrictions over the past few months. These are unprecedented times and the long-lasting impacts upon society, governments, the economy and individual businesses will be manifold and only fully revealed over a multi-year period. As an equity fund manager, my professional concern lies mainly in the analysis of how individual business will be impacted by this crisis over the long term; and on this subject, I have formed some early conclusions which I will discuss later.

The Company has performed well over the past twelve months and we have demonstrated resilience throughout the period in volatile market conditions. On a NAV basis, we outperformed a strong market during the first half of the year, we then suffered a less severe fall than the market in February and March 2020 before also outperforming during the recovery period over the balance of the year. Over the year as a whole, against the benchmark index decline of 2.8%, the Company's NAV rose by 10.4% and the share price advanced by 9.0% on a total return basis.

The investment process in action and portfolio activity

I have spoken and written extensively on our investment process in the past. We place a very high degree of importance upon depth of research, producing an Investment Thesis, a Model and a Ranking Framework score for each potential investment. By doing this, we ensure consistent, thorough analysis as well as providing a means to debate and discuss what to own and in what size. We will generally consider trading when our analysis of a potential investment points to a company that is more attractive than some businesses that we already own and thus has a higher Ranking Framework score, or when a material event happens which significantly impacts our view, and hence Ranking Framework score, of an existing investment. The discipline and rigour of this process has proved to be beneficial during the volatile market conditions that we have witnessed during this period.

During the early part of 2020, when it was becoming clear that the COVID-19 virus was going to have a significant global impact, we made several Ranking Framework-driven trading decisions. A good example is the sale of our position in the French airport operator ADP. Our original Investment Thesis had been based on two primary things. First, we liked the exposure to steady, structural growth in air traffic volumes, and second, we felt that a privatisation of the company at a high valuation was a strong possibility. COVID-19 forced us to reassess both views and our refreshed analysis of the company resulted in a significant deterioration in our Ranking Framework score, and as a result, we decided to sell the position towards the end of February 2020; the shares are now significantly lower than when we sold them.

Moving onto the extreme market falls of February and March 2020, the discipline of our Investment Process helped in two major ways. Firstly, by forcing us to focus on the cold, hard facts of our analysis, it played a role in preventing us from trading 'on emotion' and from letting behavioural factors influence our decision making. This is a primary aim of our approach; we want to minimise subjectivity and maximise objectivity. Secondly, in the teeth of the crisis, our analysis identified several potentially attractive investment opportunities that produced very high Ranking Framework scores. Confident in the rigour of our analysis, we initiated positions that went on to produce very strong returns for the Company. The three positions were AMS (where we reinitiated a position in April 2020 at approximately CHF10 per share, having sold our holding in February 2020 at approximately CHF40-45 per share), Enel and Kion (which we bought in May); these positions have since rallied 51%, 25% and 45% respectively. The major point here is that without the rigour of our analysis, we may not have had the confidence to buy positions in cyclical business at a time when 'others are fearful'.

There are several other companies that we bought or sold during the past twelve months and the table below shows the ten largest investments and divestments made.

New Investments		Divestments	
Company name	Position size at year end (% of the portfolio)	Company name	Position size at start of year (% of the portfolio)
Telecom Italia	3.8	SAP	4.2
Prosus	3.3	Koninklijke Philips	4.0
Delivery Hero	3.2	Deutsche Telekom	3.4
Worldline	2.8	Orange	3.0
Zur Rose	2.7	RELX	2.9
Unicredit	2.7	Equinor	2.8
Embracer	2.6	Legrand	2.6
Nexi	2.5	Brenntag	2.5
Scout24	2.5	Linde	2.4
Alstom	2.4	Crédit Agricole	2.2

Performance attribution

This has been a successful period for performance. The table overleaf shows a breakdown of our gross NAV outperformance by sector (using the Janus Henderson European Equities Team's estimates). The column entitled 'Sector allocation effect' shows how our sector positioning has contributed to outperformance and the column headed 'Stock selection effect' shows how our stock picking within each sector has contributed to our outperformance. The 'Total effect' column is these two columns added together. What is clear from looking at the table overleaf is that the vast majority of our performance

Fund Manager's report (continued)

has been driven by stock-picking. This is intuitive since we do not target sector weightings, nor do we concern ourselves too much with them so long as we are sensibly diversified across a range of sectors. Our Ranking Framework-driven approach is aimed at picking the right stocks; the success of this over the past 12 months is reflected in this performance attribution.

	Average portfolio weight (%)			Attribution Analysis[1]		
	Company	Index	Relative	Sector allocation effect	Stock selection effect	Total effect
Consumer Discretionary	7.8	10.3	-2.5	0.2	3.6	3.8
Communication Services	13.9	4.5	9.4	-0.8	3.6	2.8
Financials	18.1	16.8	1.3	-0.6	2.9	2.3
Information Technology	12.2	7.8	4.4	1.6	0.7	2.3
Consumer Staples	5.7	13.0	-7.3	-0.1	1.5	1.4
Industrials	16.6	14.6	2.0	0.1	1.3	1.4
Materials	8.1	6.3	1.8	0.1	1.2	1.3
Real Estate	0.0	1.9	-1.9	0.2	0.0	0.2
Energy	4.7	3.8	0.9	-0.3	0.4	0.1
Health Care	14.3	15.9	-1.6	0.0	0.0	0.0
Utilities	3.5	5.1	-1.6	0.0	-0.2	-0.2
Total	**104.9**[2]	**100.0**	**4.9**	**0.4**	**15.0**	**15.4**

1 Estimates are based on a daily buy and hold approach, gross of all fees and costs
2 Total for the Company includes gearing
Source: Bloomberg

Our strongest performing individual companies over the period included Cellnex, Delivery Hero and Novo Nordisk. Cellnex, the Spanish towers company, has become the consolidator of choice in Europe. Telecommunication companies are increasingly predisposed to selling their tower infrastructure to realise valuations that are far in excess of their group-wide valuation multiples. There is also industrial logic in these tower assets being owned by independent companies who can then more fully utilise the towers by bringing in additional tenants. Cellnex has delivered solid operational earnings progression as well as a number of deals during the period. Delivery Hero, the German food delivery platform business, has had a strong twelve months. They have made moves to consolidate their loss-making South Korean operations and have seen extremely strong order growth trends across their core markets. Having been through a period of intense competition from loss-making logistics platforms, funding appears to be drying up and the easing competitive environment is beginning to show itself in improved economics for Delivery Hero. Novo Nordisk, the Danish diabetes focused company, is shifting its product exposure away from insulin and towards Glucagon-like peptide-1 products. Growth is reaccelerating and the area of obesity represents a very exciting future growth opportunity for Novo's semaglutide molecule.

Amongst our biggest single stock detractors from performance were Crédit Agricole, Telecom Italia and Equinor. We have cut down on our banks' weightings during the period, but Crédit Agricole (which we sold in April) was still a major detractor from performance. All European banks have suffered from the low interest rate environment, weak economic conditions and investor apathy exacerbated by the ECB-mandated dividend 'holiday'. Telecom Italia has performed poorly in the face of an ongoing tough competitive environment in its domestic market, but we continue to see significant upside potential and near-term potential catalysts; we have continued to increase the size of this position. Finally, Equinor, an oil company that we sold in February, has since suffered from a weak environment for the oil price and from decreasing interest from investors in carbon-heavy businesses.

Our thoughts around the long-term impact of COVID-19 and current positioning

This has been a major topic of debate for us over the past six months. In many ways, we see many of the lasting impacts of COVID-19 as involving an acceleration in existing structural trends. There are many areas that will be materially impacted by this crisis, but I have singled out the three most important themes that we are investing in.

Studying generational differences in social behaviour reveals a clear pattern of more and more social interaction taking place virtually. The rise of social media, the increase in time spent gaming, the decline in traditional working patterns and the increased usage of dating apps all support this premise. The trend towards virtual social interaction was in place well before COVID-19, but has seen an acceleration during the crisis. We expect this shift in behaviour to continue. Within the portfolio, we own Prosus, a Dutch holding company that owns a large stake in Tencent which in turns owns the social communication app WeChat. WeChat facilitates communication, shopping, payments, gaming and other

Fund Manager’s report (continued)

services for its over 1 billion monthly active users. Its usage is fast growing both in terms of user numbers and the variety of functions that can be performed on the platform. We also own two specialist gaming companies which both happen to be Swedish; Embracer and Stillfront. Both companies are experiencing strong demand growth as the younger generations increasingly choose to entertain themselves and interact with one another through gaming platforms. I have previously referred to the change in working patterns as the ‘virtualisation of business life’. As with other forms of social interaction, business was moving online long before the onset of COVID-19 but this existing trend has been dramatically accelerated over the past few months as lockdown measures have taken hold. In the UK for example, prior to the crisis, approximately 1.7m people (5.2% of those in employment) reported mainly working from home, while during the recent lockdown period, 49.2% of adults in employment were working from home (source: Office for National Statistics). Over time, we expect that the percentage of employees working from home or working remotely will continue to increase meaningfully. This has several implications, ranging from negative ramifications for city-central commercial and residential property to positive signs for companies that provide telecommunications services and infrastructure. Within the portfolio, we have a large position in Telecom Italia which we expect to benefit from this trend as well a position in the Spanish towers company Cellnex which should also be well placed. In addition, we have an investment in the IT services company Atos, a company moving increasingly towards cyber security.

It is not just social interaction and working practices that are moving online. Consumer purchasing habits and the whole process of browsing and comparing products is heading in the same direction. Again, this is a well-established trend that can be witnessed across many product verticals. In the US for example, 63% of books, music and video are now consumed online, 48% of toy and hobby products and 37% of apparel (source: eMarketer). During the recent period of lockdown, many consumers have discovered, by necessity, the benefits of ecommerce and many of these habits will stick. Within the Company’s portfolio, we have positions in a number of platform businesses (please refer to ‘The misunderstood powerhouses of innovation’ article on the Company’s website **www.hendersoneurotrust.com** for further details). We see these businesses as prime beneficiaries of the trend towards ecommerce. We hold a position in a business that owns the German equivalent of Rightmove, Scout24; we hold a position in Delivery Hero, one of the largest global players in takeaway food delivery; and we have a position in Zur Rose, the Swiss listed business with a market leading position in mail order prescriptions in Germany at a time when that market is opening up to digital prescriptions.

The other way that we are investing in rising ecommerce volumes and card/mobile payments taking market share from cash-based transactions (another trend that has accelerated due to COVID-19) is through our holdings in two payment companies. At the start of 2020, we bought a position in the French payments company Ingenico. That company was soon bought by Worldline (this is a fast consolidating industry) and we established a large position in the acquirer. We have since added a position in the Italian payments company Nexi which we see as equally well placed to benefit from the trends described above. These businesses have certainly benefitted from the accelerating shift from cash to cashless payments that we have seen during COVID-19. Another area that we are exposed to within this broad theme is music content. The music industry saw its revenues roughly halve between 2000 and 2015 as the purchase of physical music declined. But since 2015, the industry has returned to growth, led by the rising penetration of streaming and by the devices that encourage the uptake of streaming such as wireless headphones, speakers and smartphones. We own a position in Vivendi which in turn owns one of the ‘big three’ music content businesses, Universal Music Group (UMG). We view this content owner as very well placed given the continued shift in consumption patterns that we are witnessing across the world; the opportunity in the developing world is especially compelling.

One of the less obvious impacts of this crisis will likely be a growing awareness of the environment around us and the realisation that how we treat our environment is inextricably linked to the future prospects for our species. For a number of years, companies have been increasingly aware of this point, and governments (especially across Europe) have been pushing them further in this direction. Investors clearly have their part to play here too and investing in companies that behave in a sustainable way has become an increasing investment focus for us. Within the portfolio, we own a position in Koninklijke DSM, the Dutch-listed food ingredients company, the renewable energy companies Vestas, Enel and RWE (a business transitioning from thermal to renewable generation), the recyclable packaging company SIG and several healthcare companies including diabetes-focused Novo Nordisk and the blood plasma company Grifols. We believe that investing in these kinds of businesses makes financial (as well as moral) sense; simply put, companies with a sustainable approach will, over time, attract an increasingly low cost of capital from investors, and the opposite can be said for those companies who refuse to think about the world outside their narrow (short term) commercial focus. In the near future, we will be disclosing more about our approach to sustainability and the themes that we are exposed to within the portfolio.

In previous years, we have split the portfolio into three investment categories for presentational purposes; Compounders, Improvers and Special Opportunities. Over the past twelve months, I have increasingly felt that there are blurred boundaries between the latter two categories, so much so that I now feel it is unhelpful to maintain a distinction between these two categories. The table overleaf shows how the portfolio is split between Compounders and Improvers and gives you some idea as to the characteristics of these two components of the portfolio.

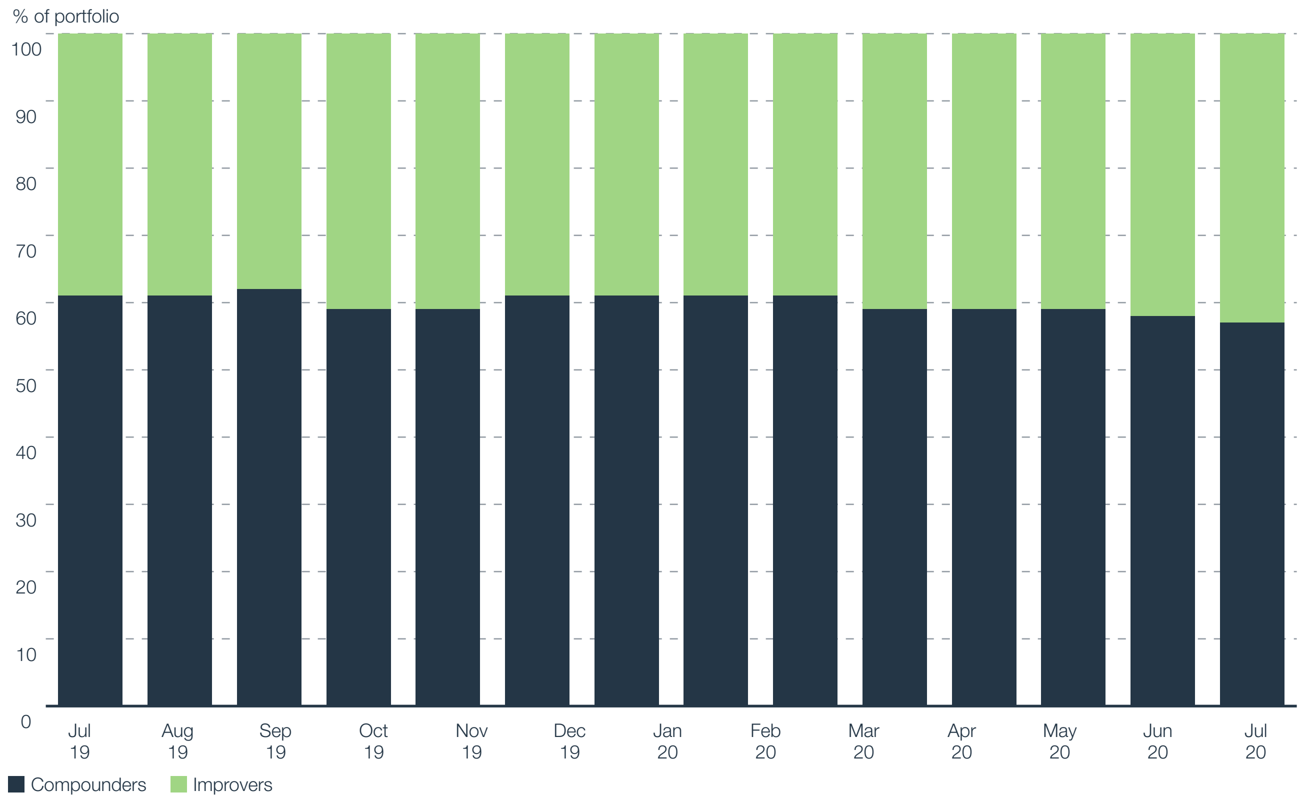
Fund Manager's report (continued)

Classification of holdings as at 31 July 2020

	Compounders Average	Improvers Average	Company Average	Index Average
Market Capitalisation (£m)	**65,388**	**19,631**	**45,950**	**62,430**
Price/book (x)	3.4	1.1	1.8	1.7
Trailing 12 month dividend yield (%)	1.8	3.4	2.5	3.0
Trailing 12 month price/earnings (x)	26.0	14.9	19.8	21.3
Forward 2021 price/earnings (x)	20.4	13.1	16.5	15.7
Historical 3-year earnings per share growth per annum (%)	11.2	8.9	10.2	7.4
Return on equity (%)	22.0	6.1	15.3	14.4
Operating margin (%)	21.0	9.0	15.9	16.3
Long term debt to capital (%)	**29.1**	**36.4**	**32.2**	**32.2**
Number of securities	**26**	**18**	**44**	**501**
Weight (%)[1]	**59.5**	**44.0**		

1 Cash is omitted in the summary table. The weight percentages include gearing.
Source: Factset/Fundamentals in Sterling using arithmetic averages.

Our split between these two investment categories over the past twelve months is shown in the chart below. We maintain a bias towards Compounders, although we ended the period with a lesser bias to this investment category than when we started the period. This is intuitive since, as a general rule, the valuation multiples of our Compounders have expanded when compared to our Improvers, therefore all else being equal, our Ranking Framework approach should have naturally moved us more towards the latter at the expense of the former; there is a certain countercyclicality embedded within our investment process.

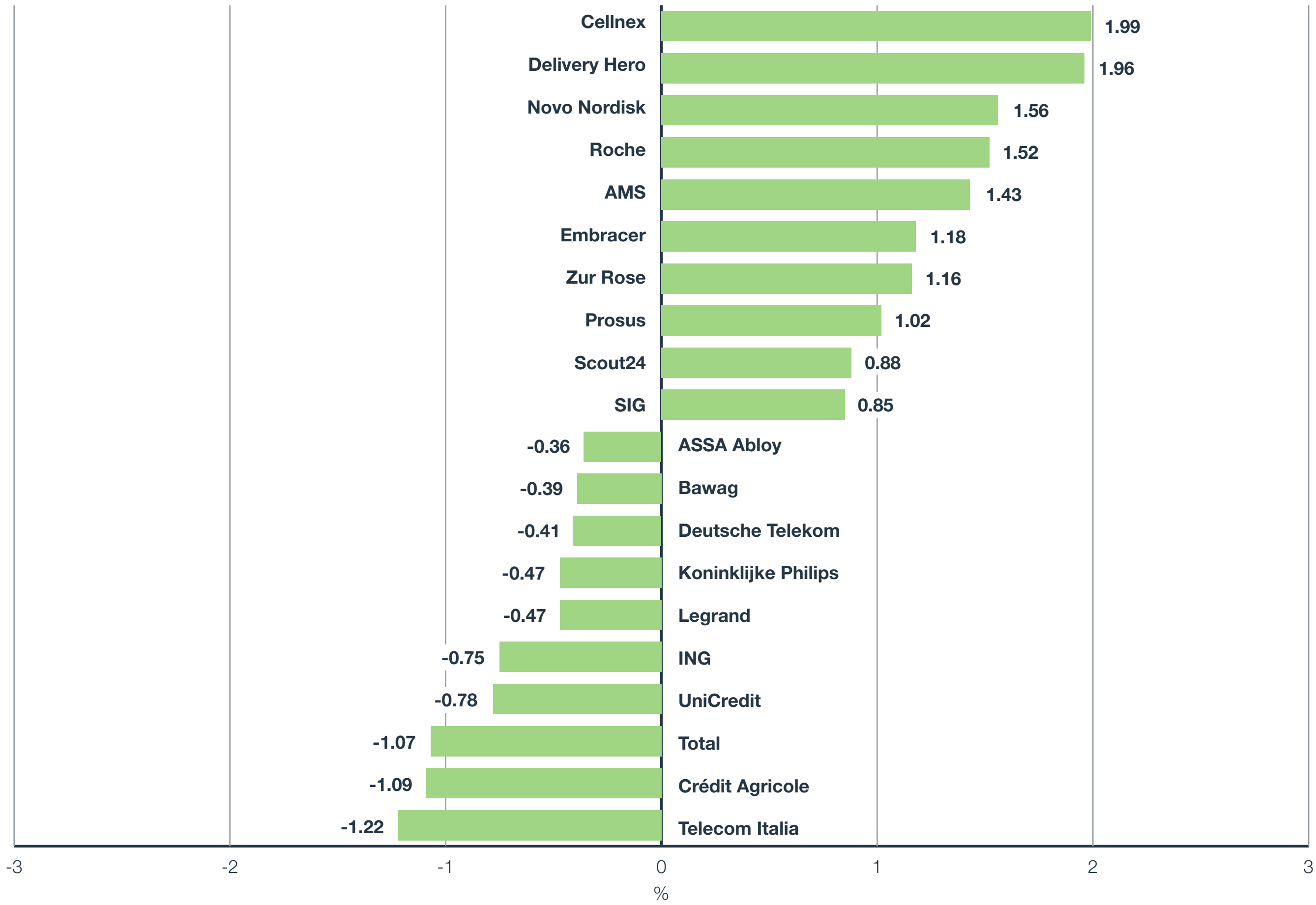


Fund Manager's report (continued)

Outlook

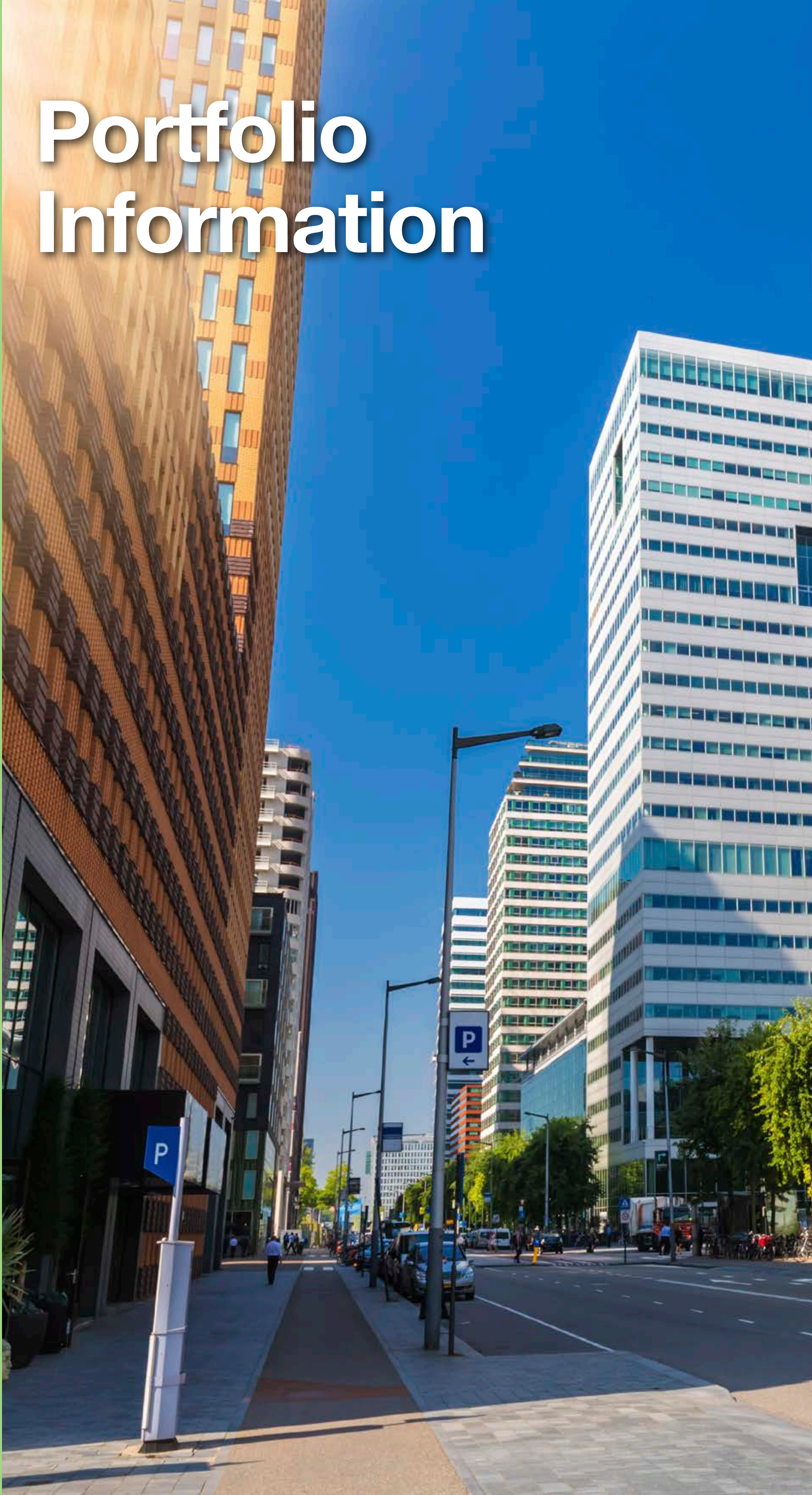
I am not one to spend much time trying to assess the economic outlook for Europe nor the prospects for the broad European equity market. Instead, I spend the vast majority of my time assessing the operational progress of the companies that I hold in the portfolio, the prospects for those companies' share prices to increase over the medium-to-long term as well as looking for new ideas to 'compete for capital'. I am very comfortable in our current positioning and even after a strong period of performance, I feel that a number of our positions (especially so for our largest holdings) remain materially undervalued by the market. I also feel that we have a good selection of interesting 'watch-list' ideas competing for a position in the fund and this, combined with the fact that it is increasingly difficult to find anything to sell when I am keen to initiate a new position, fills me with confidence for the year ahead. We will continue to adhere to our strict investment process and will strive to build upon what we have learnt during this extraordinary year.

Top ten contributors to and bottom detractors from absolute performance



Jamie Ross
Fund Manager
1 October 2020

Portfolio Information



Ten largest holdings at 31 July 2020

Ranking 2020 (2019)	Company	Country	Valuation 2020 £'000	Valuation 2019 £'000	% of Portfolio 2020	% of Portfolio 2019
1 (6)	**Roche** Roche develops and manufactures pharmaceutical and diagnostic products. The company produces prescriptions drugs in the areas of cadiovascular, infectious, autoimmune, respiratory diseases, dermatology, metabolic disorders, oncology, transplantation and the central nervous system.	Switzerland	15,055	11,131	4.94	4.04
2 (1)	**Koninklijke DSM** DSM is a Dutch-based multinational life sciences and materials sciences company. The company's global end markets include food and dietary supplements, personal care, feed, pharmaceuticals, medical devices, automotive, paints, electrical and electronics, life protection, alternative energy and bio-based materials.	Netherlands	12,492	14,956	4.10	5.42
3 (3)	**Novo Nordisk** Novo Nordisk is a Denmark-based world leader in insulin and diabetes care.	Denmark	12,464	12,409	4.09	4.50
4 (4)	**Munich Re.** The company offers reinsurance, insurance and asset management services.	Germany	11,741	12,217	3.85	4.43
5 (*)	**Telecom Italia** The company offers telecommunication services in Italy.	Italy	11,603	–	3.81	–
6 (12)	**Vivendi** Vivendi is a French media conglomerate.	France	10,439	7,941	3.43	2.88
7 (2)	**Nestlé** Nestlé S.A. is a multinational packaged food company that manufactures and markets a wide range of food products. The company's product line includes milk, chocolate, confectionery, bottled water, coffee, creamer, food seasoning and pet foods.	Switzerland	10,005	14,633	3.28	5.31
8 (*)	**Prosus** Prosus is a Dutch-listed holding company focused on technology investments.	Netherlands	9,943	–	3.26	–
9 (*)	**Delivery Hero** Delivery Hero is a German listed food delivery platform business.	Germany	9,868	–	3.24	–
10 (35)	**Cellnex** Cellnex is a Spanish telecommunication towers business.	Spain	9,319	3,464	3.06	1.26
		Total	**112,929**	**76,751**	**37.06**	**27.84**

* Not in the portfolio last year

Investment portfolio at 31 July 2020

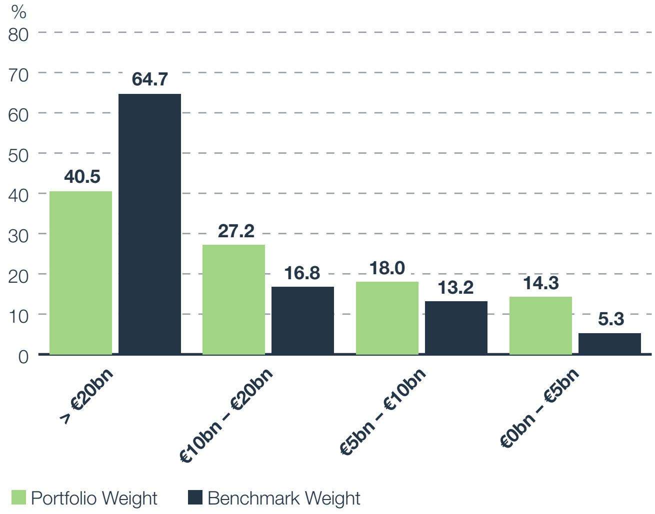
Position 2020	Position 2019	Company	Country	Sector	Market Value 2020 £'000	Percentage of Portfolio 2020
1	6	Roche	Switzerland	Pharmaceuticals and Biotechnology	15,055	4.94
2	1	Koninklijke DSM	Netherlands	Specialist Nutrition and Materials Supplier	12,492	4.10
3	3	Novo Nordisk	Denmark	Pharmaceuticals and Biotechnology	12,464	4.09
4	4	Munich Re.	Germany	Insurance	11,741	3.85
5	(*)	Telecom Italia	Italy	Fixed Line Telecommunications	11,603	3.81
6	12	Vivendi	France	Media	10,439	3.43
7	2	Nestlé	Switzerland	Food Producer	10,005	3.28
8	(*)	Prosus	Netherlands	Software and Computer Services	9,943	3.26
9	(*)	Delivery Hero	Germany	General Retailers	9,868	3.24
10	35	Cellnex	Spain	Mobile Telecommunications	9,319	3.06
Top 10					**112,929**	**37.06**
11	39	Bawag	Austria	Banks	9,033	2.97
12	(*)	Worldline	France	Financial Services	8,658	2.84
13	(*)	Zur Rose	Switzerland	Pharmaceuticals and Biotechnology	8,299	2.72
14	(*)	Unicredit	Italy	Banks	8,178	2.68
15	15	Partners Group	Switzerland	Private Equity Asset Manager	7,887	2.59
16	(*)	Embracer	Sweden	Leisure Goods	7,854	2.58
17	(*)	Nexi	Italy	Financial Services	7,647	2.51
18	(*)	Scout24	Germany	Software and Computer Services	7,552	2.48
19	(*)	Alstom	France	Industrial Engineering	7,340	2.41
20	(*)	ASML	Netherlands	Technology Hardware and Equipment	6,982	2.29
Top 20					**192,359**	**63.13**
21	(*)	RWE	Germany	Gas Water and Multiutilities	6,932	2.27
22	(*)	STMicroelectronics	France	Technology Hardware and Equipment	6,581	2.16
23	(*)	Moncler	Italy	Luxury Goods	6,533	2.14
24	30	Vestas Wind Systems	Denmark	Wind Turbines	6,479	2.13
25	20	Deutsche Börse	Germany	Financial Services	6,276	2.06
26	23	Hermès	France	Luxury Goods	6,082	2.00
27	26	Dassault Systèmes	France	Application Software	5,926	1.94
28	29	Grifols	Spain	Pharmaceuticals and Biotechnology	5,810	1.91
29	(*)	Kion	Germany	Industrial Engineering	5,715	1.88
30	8	Total	France	Oil and Gas Producers	5,558	1.82
Top 30					**254,251**	**83.44**
31	(*)	Enel	Italy	Electricity	5,391	1.77
32	(*)	JDE Peet's	Netherlands	Food Producer	5,251	1.72
33	28	Bayer	Germany	Healthcare and Agricultural Products	5,043	1.66
34	(*)	AMS	Austria	Technology Hardware and Equipment	4,718	1.55
35	(*)	Atos	France	Software and Computer Services	4,524	1.48
36	17	Getlink	France	Industrial Transportation	3,834	1.26
37	21	Amundi	France	Bank and Asset Manager	3,731	1.22
38	19	ASSA Abloy	Sweden	Construction and Materials	3,686	1.21
39	(*)	BCM	Germany	Financial Services	3,456	1.13
40	36	SIG	Switzerland	Containers and Packaging	3,032	1.00
Top 40					**296,917**	**97.44**
41	(*)	Clariant	Switzerland	Chemicals	2,967	0.97
42	(*)	GVS	Italy	Chemicals	2,884	0.95
43	25	Rubis	France	Gas Water & Multiutilities	780	0.26
44	(*)	Cellnex (Rights Issue)	Spain	Telecommunications	615	0.20
45	(*)	Stillfront	Sweden	Leisure Goods	561	0.18
Total					**304,724**	**100.00**

In addition to the above, the Company has a nil value position in OW Bunker. OW Bunker is unquoted.

* Not in the portfolio last year

Portfolio information

Market capitalisation of the portfolio by weight at 31 July 2020



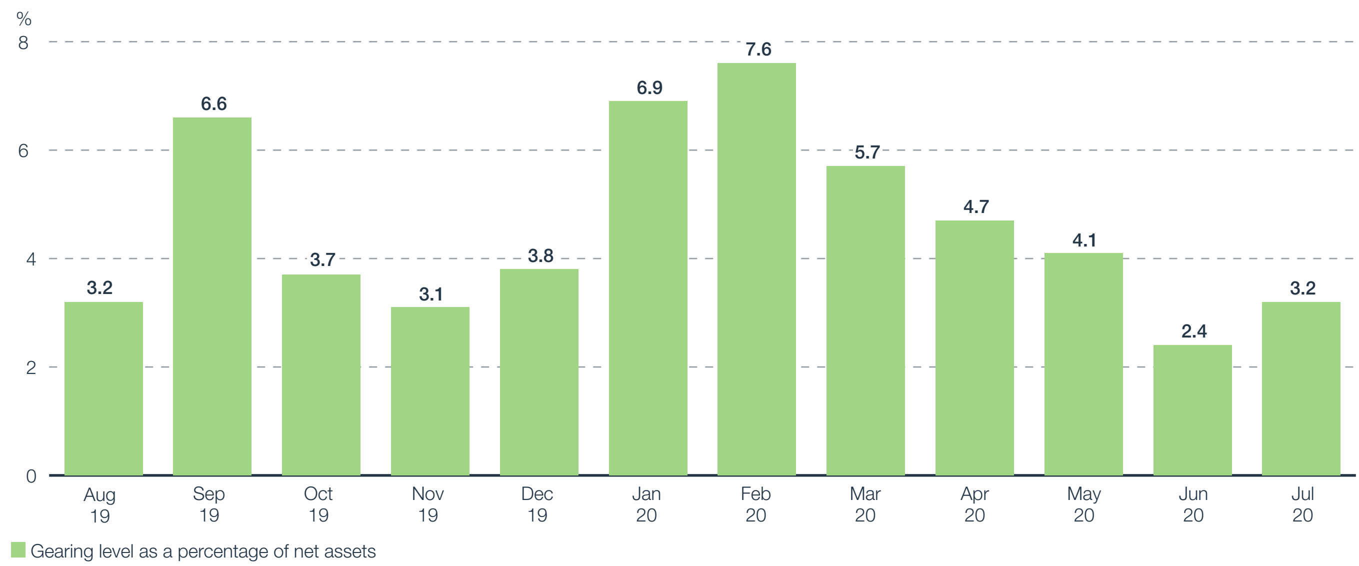
Performance drivers

Over the year ended 31 July 2020

	%
Benchmark Return	-2.8
Sector Allocation	5.4
Stock Selection	9.3
Currency Movements (relative to index)	0.1
Effect of Cash and Gearing	-0.8
Effect of Ongoing Charge	-0.8
NAV Total Return	**10.4**

Gearing levels

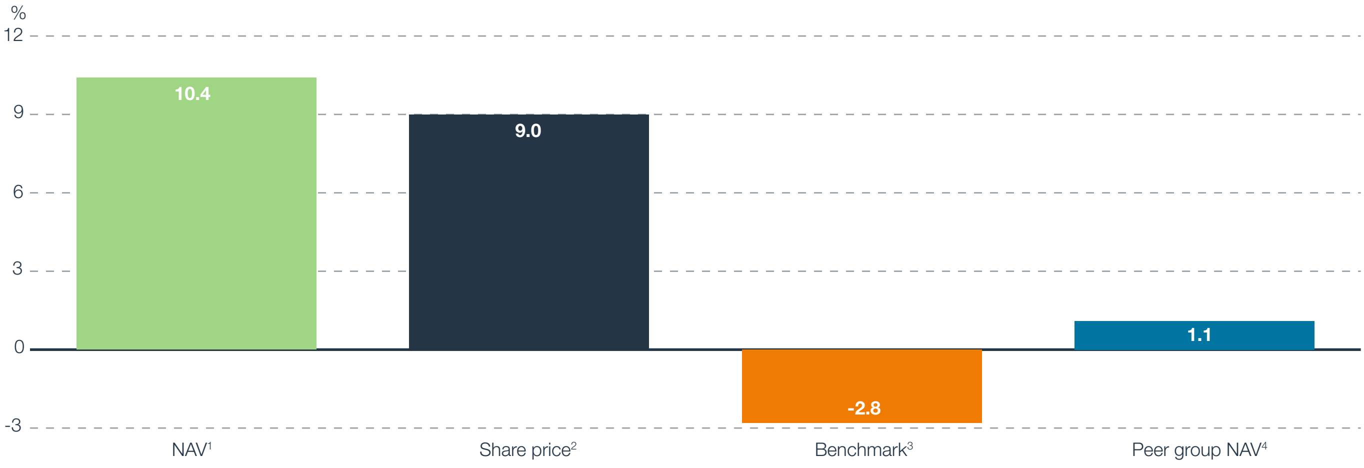
Over the year to 31 July 2020



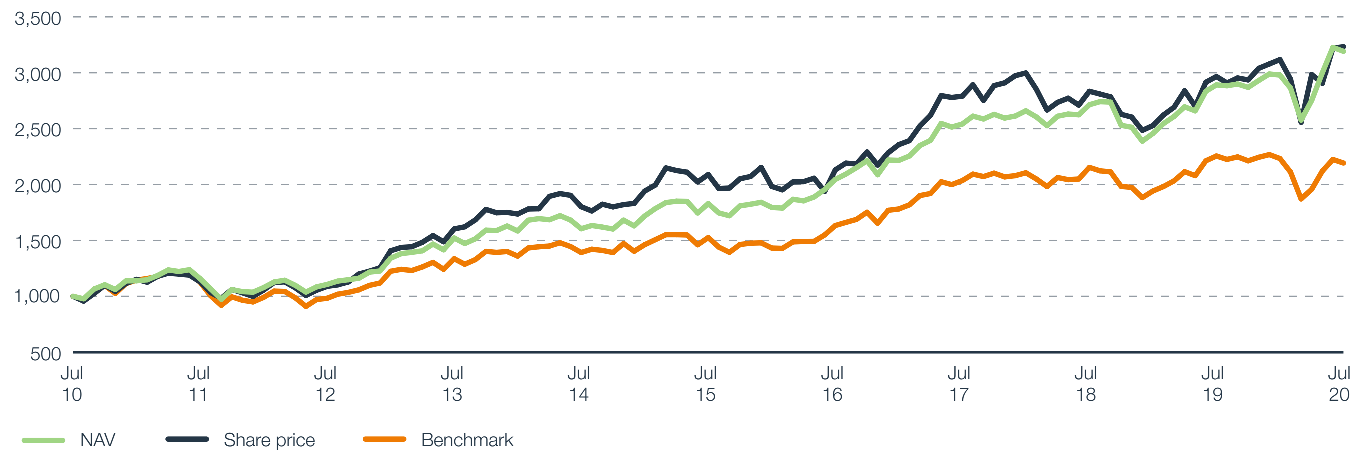
Source: Morningstar Direct, Janus Henderson

Historical information

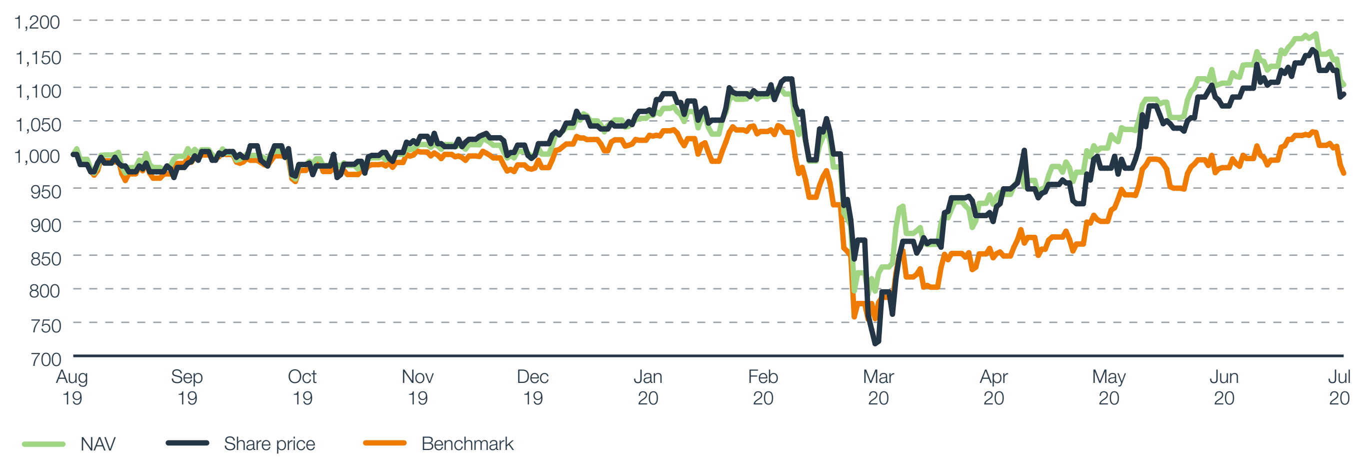
Total return performance for year ended 31 July 2020



Total return performance over the last ten years (rebased to 1,000)



Total return performance over the last year (rebased to 1,000)



1 Net asset value ('NAV') per ordinary share total return (including dividends reinvested)
2 Share price total return (including dividends reinvested)
3 FTSE World Europe (ex UK) Index
4 AIC Europe Sector

Historical information (continued)

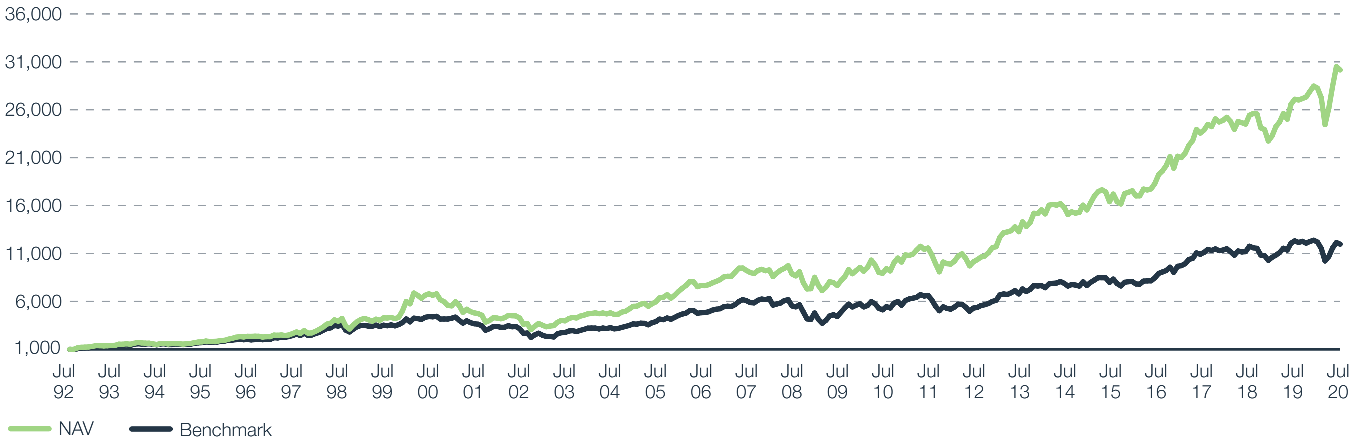
Total return performance over the last 10 years

	1 year %	3 years %	5 years %	10 years %
NAV[1]	10.4	25.6	74.5	219.2
Share price[2]	9.0	15.8	54.7	223.3
Benchmark[3]	-2.8	7.7	43.7	119.2
Peer group NAV[4]	1.1	13.5	50.8	174.0

1 Net asset value ('NAV') per ordinary share total return (including dividends reinvested)
2 Share price total return (including dividends reinvested)
3 FTSE World Europe (ex UK) Index
4 AIC Europe Sector

Source: Morningstar Direct

NAV movement against benchmark index since launch (rebased to 1,000)



Financial information

Year ended	NAV per Ordinary Share (p)	Share price percentage premium/(discount) to NAV per Ordinary Share (%)	Revenue return per Ordinary Share (p)	Dividends per Ordinary Share (p)
31 July 2011	624.7	(13.2)	17.6	15.0
31 July 2012	580.2	(12.7)	17.0	16.5
31 July 2013	778.0	(6.9)	17.3	17.0
31 July 2014	803.2	(0.9)	17.6	17.5
31 July 2015	895.0	0.7	18.3	18.5
31 July 2016	979.0	(8.1)	23.5	20.0
31 July 2017	1,192.8	(3.3)	27.5	25.0
31 July 2018	1,246.7	(8.2)	33.1	30.5
31 July 2019	1,293.9	(10.0)	29.0	31.0
31 July 2020	**1,393.2**	**(11.4)**	**22.0**	**25.0**

Source: Factset, Morningstar Direct, Janus Henderson

Business Model

Business model

Strategy

The purpose of Henderson EuroTrust plc (the 'Company') is to achieve a superior total return for the Company's shareholders from a portfolio of high quality European (excluding the UK) investments. This is achieved through the Company's operation as an investment company with a Board of Directors who delegate investment and operational matters to specialist third-party service providers. These third-party service providers operate in accordance with the Company's investment policy following a disciplined process of investment, by controlling costs and using borrowings to enhance returns. Their performance is monitored and challenged by the Board who retain oversight of the Company's operations.

The framework of delegation provides a cost-effective mechanism for achieving the Company's objectives under section 1158/9 of the Corporation Tax Act 2010 (s.1158/9). The closed-ended nature of the Company enables the Fund Manager to take a longer term view on investments. It also supports a fully invested portfolio as the Company does not have to maintain or create sufficient cash balances to satisfy investor redemptions. Investment trusts have two other significant advantages over other investment fund structures: firstly, the ability to borrow to increase potential returns for shareholders and secondly, the ability to pay dividends out of revenue reserves to support the provision of income, as necessary, to shareholders.

The Company's status

The Company is an investment company as defined in Section 833 of the Companies Act 2006 (the 'Act'). The Company operates as an investment trust in accordance with Section 1158 as amended. 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.

The Company and the Board are governed by the Articles of Association, amendments to which must be approved by shareholders by way of a special resolution. The Board is comprised entirely of non-executive directors who are accountable to the Company's shareholders. The Company is not a close company.

The Company is listed on the Main Market of the London Stock Exchange and is subject to the Listing Rules, Prospectus Rules and the Disclosure Guidance and Transparency Rules published by the Financial Conduct Authority ('FCA'). The Company is a member of the Association of Investment Companies ('AIC').

Investment objective

The Company aims to achieve a superior total return from a portfolio of high quality European (excluding the UK) investments.

Investment policy

Asset allocation

The portfolio will contain between 40 and 60 stocks.

The Company seeks to invest in large and medium-sized companies which are perceived to be undervalued in view of their growth prospects or on account of a significant change in management or structure.

The Company will not hold more than 10% of the share capital of any company at the time of investment.

The Company will not invest more than 15% of gross assets in any one company or group of companies.

The Company can hold investments from any combination of European countries and the portfolio is not constructed with a yield target.

The Company may invest in companies that are not listed on a stock exchange although in aggregate these may not amount to more than 10% of the portfolio.

Derivatives

The Company may use financial instruments known as derivatives for the purpose of efficient portfolio management while maintaining a level of risk consistent with the risk profile of the Company.

Gearing

The Company's Articles of Association allow borrowings up to 100% of shareholders' funds. In normal circumstances, the Directors would expect the Company to be substantially fully invested but it may hold cash and cash instruments up to 20% or be geared up to 30% of the total assets.

Management

The Company qualifies as an Alternative Investment Fund in accordance with the Alternative Investment Fund Managers Directive ('AIFMD').

The Company does not have any employees. The Company has an independent Board of Directors which has appointed Henderson Investment Funds Limited ('HIFL') to act as its Alternative Investment Fund Manager. HIFL delegates investment management services to Henderson Global Investors Limited ('HGIL') in accordance with an agreement which was effective from 22 July 2014. The management agreement with HIFL is reviewed annually by the Management Engagement Committee (see page 35), and can be terminated on three months' notice. Both entities are authorised and regulated by the FCA. References to the Manager within this report refer to the services provided by HIFL and HGIL. Both entities are wholly owned subsidiaries of Janus Henderson Group plc, referred to as Janus Henderson.

Business model (continued)

Janus Henderson and its subsidiaries also provide accounting, company secretarial and general administrative services. Some of the administration, accounting and cash management services are carried out, on behalf of the Manager, by BNP Paribas Securities Services. Melanie Stoner (Fellow of the Chartered Governance Institute) acts as Company Secretary on behalf of the Corporate Secretary, Henderson Secretarial Services Limited.

Fund Manager

The portfolio is managed by Jamie Ross. Jamie became the sole Fund Manager in February 2019. He was previously appointed as Joint Fund Manager with effect from October 2018, having been appointed as Deputy Fund Manager in March 2017. Jamie joined Janus Henderson in 2007, and has worked in the European Equities Team since 2009. He also manages the Janus Henderson Horizon Pan European Equity Fund. Jamie graduated with a BA degree (Hons) in Economics from Durham University. He holds the Chartered Financial Analyst designation and has over ten years of financial industry experience.

Investment selection

The Fund Manager uses rigorous research to identify high-quality European (excluding the UK) companies with strong growth potential. The benchmark is the FTSE World Europe (ex UK) Index. The Fund Manager's investment approach is based around detailed company-level analysis and results in a relatively concentrated portfolio. It is an active approach aimed at delivering outperformance of the Company's equity benchmark. Reflecting this, the Company's portfolio's active share as at 31 July 2020 was 79.0% versus 76.6% as at 31 July 2019.

Fees

Management fees are charged in accordance with the terms of the management agreement, and provided for when due. With effect from 1 January 2019, the performance fee arrangements were removed. No performance fee had been earned at the date on which the arrangements were removed (year ended 31 July 2019: £nil).

Since 1 January 2019, the base management fee has been calculated at the rate of 0.65% per annum of net assets up to £300 million and 0.55% for net assets above £300 million, payable quarterly in arrears. Prior to 1 January 2019, the base management fee was calculated at the rate of 0.65% per annum of net assets up to £250 million and 0.55% for net assets above £250 million, payable quarterly in arrears.

Section 172 statement

The Board is responsible for approving the Company's long term objectives and commercial strategy and for promoting the Company's success. At least one of its meetings each year is devoted entirely to reviewing overall strategy and progress is monitored throughout the year. The Directors' overarching duty is to promote the success of the Company for the benefit of investors, with consideration of stakeholders' interests, as set out in Section 172 of the Act. The Board regards a well governed business model as essential for the successful delivery of its investment proposition. The Directors consider the likely consequences of their decisions in the longer term and how they have taken wider stakeholders' needs into account. The Company manages shareholders' assets with constant awareness of the Company's stakeholders and their interests. The Board uses a map to support the Directors in identifying and understanding the Company's stakeholders and fostering the appropriate level and form of interaction with them. The Directors regard the Company's key stakeholders to be the Company's shareholders and potential investors, the Manager and other third-party service providers.

To this end, the Board secures the Company's success by engaging reputable third-party suppliers with established track records to deliver the day-to-day operations. The most important of these is the Manager, and in particular the Fund Manager, who is responsible for the management of the Company's assets in line with the investment objective. The Board maintains a close working relationship with the Manager and holds it to account for the smooth running of the Company's day-to-day business. The Board retains responsibility for decisions regarding corporate strategy, corporate governance, risk and internal control assessment, determining the overall limits and restrictions for the portfolio and in respect of gearing and asset allocation, investment performance monitoring and setting marketing budgets.

The Fund Manager promotes the Company with the support of the Manager's dedicated investment trust sales team and the Board makes additional spend available to support marketing activities aimed at raising the profile of the Company among retail investors in the UK.

To ensure the chosen service providers continue to deliver the expected level of service, the Board receives regular reporting from them, evaluates the control environments in place at each service provider and formally assesses their appointment annually. By doing so the Board seeks to ensure that the key service providers continue to be appropriately remunerated to deliver the expected level of service.

Business model (continued)

Engagement with key stakeholders

The Company's key stakeholders are listed below with examples of the way the Board and the Company has interacted with them in the year under review.

Stakeholders	Engagement
Shareholders and potential investors	The Board is committed to maintaining open channels of communication with shareholders in a manner which they find most meaningful. Unlike trading companies, the Board appreciates that this often takes the form of meeting with the Fund Manager rather than members of the Board. The Manager provides information on the Company, press releases and videos of the Fund Manager on the Company's website, via various social medial channels and through its HGi platform. Feedback from all meetings between the Fund Manager and shareholders is shared with the Board. The Chairman, the Chairman of the Audit and Risk Committee and other members of the Board are available to meet with shareholders to understand their views on governance and the Company's performance where they wish to do so. With assistance from the Manager, the Chairman seeks meetings with shareholders who might wish to meet with her. The annual report and half-year results are circulated to shareholders wishing to receive them and made available on the Company's website. These provide shareholders with a clear understanding of the Company's portfolio and financial position. This information is supplemented by the daily calculation and publication of the NAV per share and a monthly factsheet which is available on the website. The Fund Manager provides presentations to shareholders and analysts following the publication of the annual financial results. The Fund Manager attends the AGM and provides a presentation on the Company's performance and the future outlook. The Board encourages shareholders to attend and participate in the AGM, which is available to watch live. Shareholders have the opportunity to address questions to the Chairman of the Board, the Fund Manager and all Directors. In the event shareholders wish to raise issues or concerns with the Directors, they are welcome to do so at any time by writing to the Chairman at the registered office. Correspondence from shareholders is shared with the Chairman and the Board. Other members of the Board are also available to shareholders if they have concerns that have not been addressed through the normal channels.
Janus Henderson as Manager • Fund Manager • Sales and marketing • Company secretarial • Financial reporting • Internal controls functions • Internal audit • Investment accounting and administration (outsourced by Janus Henderson to BNP Paribas Securities Services)	The most important of the Company's third-party service providers is the Manager, and in particular the Fund Manager, who is responsible for the management of the Company's assets in line with the investment objective. Representatives of the Manager regularly attend Board meetings, providing the opportunity for the Manager and the Board to reinforce further their mutual understanding of what is expected from all parties. Through receipt of timely and accurate information (including monthly performance and compliance reporting against a schedule of investment limits and restrictions determined by the Board and Fund Manager) and regular engagement with representatives of the Manager, the Board is able to provide timely and constructive feedback to the Manager in order that the Manager can meet the Company's investment objective to the best of its ability and thereby ensuring that the interests of the Manager are also protected.

Business model (continued)

Stakeholders	Engagement
Other third-party service providers	As an investment company all services are outsourced to third-party service providers. Whilst there is an interdependency between the Company's key third party service providers (i.e. the Manager (and indirectly BNP Paribas Securities Services who provide accounting and administration services to the Company), the Broker, Depositary, Registrar and Auditor, the Board considers third-party service providers to also be one of the Company's key stakeholder groups. The Board relies on the Manager to provide the third-party service providers with the information required to meet the Company's requirements. The Company's third-party service suppliers' performance is assessed in detail at least annually by the Management Engagement Committee. The Corporate Secretary and Financial Reporting Manager for Investment Trusts, in particular, engage with the key suppliers on a regular and continuous basis and the Manager provides the third-party service providers with feedback from the Board about the day-to-day service provided by each of the third-party suppliers. The Board receives market updates from JPMorgan Cazenove (the Broker) throughout the year providing them with information in order that they can promote the Company to investors. The Board also meets directly with representatives of the Depositary on an annual basis. The Audit and Risk Committee reviews the internal controls and risk management systems in place at BNP Paribas Securities Services, the Registrar and Depositary predominantly through the assessment of each supplier's internal controls and assurance report.

Board discussions and decision-making

The Board is aware that not all decisions made by the Board will result in a positive outcome for all of the Company's stakeholders. The Board takes into consideration the Company's purpose, investment objective and investment policy as well as the interests of the Company's stakeholders when discussing matters and making decisions. The following are examples of the key discussions held and decisions made by the Board during the financial year ended 31 July 2020:

- The Board understands that shareholders and potential investors require information in order to make decisions about their investment in the Company. Through the presentation of the Company's half-year and annual results to shareholders in the half-year Update and Annual Report and making them available on the website to other stakeholders, the Company has provided information in order that shareholders and potential investors are able to make informed decisions about their investment in the Company;
- Directors are required to act in a way they consider to be for the benefit of its members as a whole. Consideration and approval of the resolutions put to shareholders at the Annual General Meetings in 2019 and 2020, including the final dividend payment (providing income to investors) and the proposed amendments to the Company's Articles of Association (ensuring more shareholders have access to general meetings in the future) are considered by the Directors to be for the benefit of its members as a whole;
- The Company aims to return income on shareholder investments in the Company. The Board facilitates this through the approval of the Company's interim and full year dividends. The Directors assessed the impact on the Company's shareholders and on the Fund Manager's investment decisions in the short and long-term as a result of the change in dividend policy and ultimately agreed that the dividend should be reduced in order to align the interests of the shareholders and those of the Fund Manager in his management of the portfolio;
- Another aspect of shareholder interests is management of the Company's discount and ensuring that their investment in the Company is close to the value of the Company's underlying holdings. The Chairman, Manager and broker have numerous discussions with shareholders and potential investors which the Board discuss regularly in order to agree how best to approach the management of the Company's discount; and
- The Fund Manager's approach to investing sustainably includes analysis of the environmental, social and governance impact the companies in the portfolio have on the wider community and the environment. The Fund Manager has written more about how he approaches sustainability in his report and will further articulate his approach in the coming months.

Business model (continued)

The Chairman has included more information regarding a number of these matters in her statement (see pages 3 to 5).

Throughout the course of the COVID-19 pandemic the Board has been in regular contact with the Manager, receiving weekly updates from the Fund Manager on areas such as portfolio activity (to manage the volatility in the market and to take advantage of opportunities), gearing and the ability to meet the ongoing income requirements of shareholders.

The Fund Manager presents the impact of his decisions relating to the portfolio to the Board at each meeting, and to shareholders at the Annual General Meeting and other arranged meetings during the year, as well as through the half-year and annual results announcements. The Board's engagement with the Manager is necessary to evaluate the Company's portfolio's performance against the stated strategy and benchmark and to understand any risks or opportunities this may present to the Company.

Culture

As explained in the Section 172 statement on page 20, the Directors' overarching duty is to promote the success of the Company for the benefit of investors, with consideration of stakeholders' interests.

The Board applies various policies, practices and behaviour to ensure that the Board's culture is in line with the Company's purpose, values and strategy. The Directors promote mutual support combined with constructive challenge. Integrity, fairness and diligence are defining characteristics of the Board's culture.

The Directors promote and encourage a culture of transparency and honesty between the Board and the Manager. The Manager is considered by the Board to be the Company's most significant third party service provider therefore the relationship with key individuals, in particular the Fund Manager, the Company Secretary, the Director and Head of Investment Trusts and the Financial Reporting Manager for Investment Trusts, are paramount to the success of the Company. There is continuous engagement and dialogue with these key individuals and the Directors (in particular with the Chairman and Chairman of the Audit and Risk Committee) between Board Meetings. Communication channels are open and information, ideas and advice flow between the Board and the Manager with the aim of delivering better results for shareholders and other stakeholders and ultimately driving the Company's long-term sustainable success. The need to foster, maintain and continually evolve corporate culture is taken into account when decision-making and is therefore integral to the Company's policies and practices.

The Company has a number of policies and procedures in place to assist with maintaining a culture of good governance including those relating to Directors' conflicts of interest, Directors' dealings in the Company's shares, bribery (including the acceptance of gifts and hospitality) and tax evasion. The Board assesses and monitors compliance with these policies regularly through Board meetings and the annual evaluation process (for more information see the performance evaluation section on pages 33 and 34).

The Board seeks to appoint the best possible service providers and evaluates the service on a regular basis as described on pages 33 and 34. The Board considers the culture of the Manager and other service providers through regular reporting and by receiving regular presentations from these stakeholders. The Board also seeks to control the Company's costs, thereby enhancing performance and returns for the Company's shareholders.

Directors are also required to consider the impact on the community and environment. The Board further describes the Company's and Manager's approach to environmental, social and governance matters on pages 25 and 26.

Managing risks

The Board, with the assistance of the Manager, has carried out a robust assessment of the principal risks and uncertainties facing the Company, including those that would threaten its business model, future performance, solvency and liquidity.

With the assistance of the Manager, the Board has drawn up a risk register facing the Company and has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, in order to mitigate these risks as far as practicable. The Board monitors the Manager, other suppliers and the internal and external environments in which the Company operates to identify new and emerging risks. The Board's policy on risk management has not materially changed from last year, although the inherent likelihood of the occurrence of poor investment performance, significant political and/or economic change in the UK and/or Europe, the loss of bank borrowing facilities and failure of the Manager to manage financial or administrative controls due to the increased possibility of cyberattacks or issues with bandwidth as many employees worked from home were increased due to the COVID-19 pandemic. The Board has received weekly updates from the Fund Manager during the pandemic. These have enabled the Directors to monitor and manage risks related to the pandemic. COVID-19 will continue to affect the value of the Company's investments due to the disruption of supply chains and demand for products and services, increased costs and cash flow problems, and changed legal and regulatory requirements for companies. The pandemic has triggered a sharp fall in global stock markets and created uncertainty around future dividend income. The Board notes that the Fund Manager's investment process remains unchanged by the COVID-19 pandemic and he continues to focus on long-term company fundamentals and detailed analysis of current and future investments. The principal risks which have been identified and the steps taken by the Board to mitigate these are as follows:

Business model (continued)

Risk	Mitigation
Investment activity and performance	
An inappropriate investment strategy (for example, in terms of asset allocation or the level of gearing) may result in underperformance against the Company's benchmark index and the companies in its peer group.	The Board monitors investment performance at each Board meeting and regularly reviews the extent of its borrowings. The Board has received weekly updates from the Fund Manager during the COVID-19 pandemic enabling the Directors to monitor and manage risks related to the pandemic.
Portfolio and market	
Although the Company invests almost entirely in securities that are quoted on recognised markets, share prices may move rapidly. The companies in which investments are made may operate unsuccessfully, or fail entirely. A fall in the market value of the Company's portfolio would have an adverse effect on shareholders' funds.	The Board reviews the portfolio at each meeting and mitigates risk through diversification of investments in the portfolio. During the COVID-19 pandemic share prices moved rapidly. The Board and Fund Manager took appropriate action to reduce the impact.
Regulatory	
A breach of Section 1158 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the FCA's Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Act 2006 could lead to criminal proceedings, or financial or reputational damage.	The Manager is contracted to provide investment, company secretarial, administration and accounting services through qualified professionals. The Board receives internal controls reports produced by Janus Henderson on a quarterly basis, which confirm regulatory compliance.
Operational and cyber	
Disruption to, or failure of, the Manager's accounting, dealing or payment systems or the Custodian's records could prevent the accurate reporting and monitoring of the Company's financial position. The Company is also exposed to the operational risk that one or more of its service providers may not provide the required level of service. The Company may also be exposed to the risk of cyber attack on its service providers.	The Board monitors the services provided by the Manager and its other suppliers and receives reports on the key elements in place to provide effective internal control. During the year the Board receives reports on the Manager's approach to information security and cyber attack defence. The Board considers the loss of the Fund Manager as a risk but this is mitigated by the experience of the team at Janus Henderson. The risk of failure of the Manager to manage financial or administrative controls due to the increased possibility of cyberattacks or issues with bandwidth as many employees worked from home was increased due to the COVID-19 pandemic. The Directors report that, despite the COVID-19 pandemic, there has been no change to the level of service provided by the Manager or the Company's other third-party suppliers and the pandemic has served to highlight the resilience and high quality of the services provided.

It is the Board's view that the changing nature of the institutional (non-retail) shareholder base, geopolitical risk (particularly in relation to US/China) and environmental sustainability (shareholder expectations and regulation affecting portfolio companies/stock selection and the Company's performance and demand for its shares) are emerging risks. The Board proactively monitors all of these factors and has a strong focus on continuing to educate itself about any relevant issues.

Details of how the Board monitors the services provided by Janus Henderson and its other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal controls section of the Corporate Governance report on page 39. Further details of the Company's exposure to market risk (including market price risk, currency risk and interest rate risk), liquidity risk and credit and counterparty risk and how they are managed are contained in Note 15 on pages 62 to 68.

Business model (continued)

Viability statement

The Company is a long term investor. The Board believes it is appropriate to assess the Company's viability over a five year period in recognition of the Company's long term horizon and what the Board believes to be investors' horizons, taking account of the Company's current position and the potential impact of the principal risks and uncertainties as documented in this Strategic Report.

The assessment has considered the potential impact of the principal risks and uncertainties facing the Company, in particular investment strategy and performance against benchmark (whether from asset allocation or the level of gearing) and market risk, materialising in severe but plausible scenarios, and the effectiveness of any mitigating controls in place.

The Directors took into account the liquidity of the portfolio and the borrowings in place when considering the viability of the Company over the next five years and its ability to meet liabilities as they fall due. This included consideration of the duration of the Company's borrowing facilities and how a breach of any covenants could impact on the Company's net asset value and share price.

The Directors do not expect there to be any significant change in the current principal risks and adequacy of the mitigating controls in place. Also the Directors do not envisage any change in strategy or objectives or any events that would prevent the Company from continuing to operate over that period, as the Company's assets are liquid, its commitments are limited and the Company intends to continue to operate as an investment trust. In coming to this conclusion, the Board has considered the current COVID-19 pandemic and the UK's ongoing negotiations during the transitional phase of leaving the European Union. The Board does not believe that they will have a long-term impact on the viability of the Company and its ability to continue in operation, notwithstanding the short-term uncertainty they have caused in the markets.

Based on this assessment, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five year period.

Borrowings

The Company has in place an unsecured loan facility of £25 million (2019: £25 million) which allows it to borrow as and when appropriate. In February 2020, the Company drew down the maximum amount of its loan facility and temporarily went over the loan limit for two days while trades were settling. The maximum amount drawn down in the year under review was £27.1 million (2019: £12.6 million), with borrowing costs for the year totalling £128,000 (2019: £35,000). £13.5 million of the facility was in use at the year end (2019: £3.6 million). Actual gearing at 31 July 2020 was 3.2% (2019: 0.6%) of NAV. The Board has delegated responsibility for day to day gearing levels to the Fund Manager. The Fund Manager expects to maintain some level of gearing in most conditions and the normal level of gearing is expected to be between 2% and 6% of NAV, but at times it may be above or below these levels. The Fund Manager does not use gearing in an attempt to time prospective market moves. Instead, the Company's gearing will increase when the Fund Manager sees attractive, stock specific, opportunities to deploy capital and will reduce gearing when the Fund Manager is a net seller of existing positions, again for stock specific reasons.

Environmental, social and governance ('ESG') matters

Climate change, responsible ownership and the Stewardship Code

Responsible Investment is the term used to cover the Manager's work on ESG issues in the Company's investee companies. Janus Henderson is a signatory to and supports the FRC's UK Stewardship Code (the 'Stewardship Code') and seeks to protect and enhance value for the Company's shareholders through active management, integration of ESG factors into investment decision making, voting and company engagement. Janus Henderson will report on how they have applied the provisions of the UK Stewardship Code 2020 in their annual Responsible Investment Review in early 2021. The Board has reviewed the Janus Henderson Stewardship Statement, which is available to view at **www.janushenderson.com**. Janus Henderson is a signatory to the United Nations Principles of Responsible Investment and an active member of a wide range of organisations and initiatives that work to promote ESG integration and responsible investment.

Integrated approach to ESG

The Fund Manager employs a bottom-up research process to identify companies with high and sustainable return on invested capital ('Compounders') or companies with the potential to materially improve their return on invested capital profile ('Improvers'). ESG/sustainability issues are explicitly analysed as part of this investment process. A key part of the process is focused on the sustainability of business models, and the Fund Manager's core belief is that the most successful companies will be those which score well on ESG issues and have a management team with a long-term focus and a excellent track record of alignment with their shareholders' views on this topic. Consideration of issues involving sustainability regularly inform capital allocation decisions.

Company engagement

Company engagement is an integral part of the investment approach. The European Equities Team, of which the Fund Manager is a member, conducts in excess of 600 meetings per year and will engage with management on a wide range of issues including those relating to ESG/sustainability. Meeting notes are circulated and debated both amongst the European Equities Team and the wider investment teams at Janus Henderson.

Business model (continued)

The Fund Manager also collaborates closely with Janus Henderson's in-house governance and responsible investment ('GRI') team, as a specialist resource on ESG issues. The GRI team screens portfolios for major ESG issues and highlights important ESG engagement topics ahead of company meetings. In addition, the GRI team and the Fund Manager work together to coordinate a pipeline of proactive engagement with companies on a range of ESG themes.

Voting and the Stewardship Code

The Board believes 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. The Board has chosen to delegate responsibility to the Manager for voting the rights attached to the shares held in the Company's portfolio, and the Manager actively votes at shareholder meetings and engages with companies as part of the voting process.

Voting decisions are guided by the best interests of the investee companies' shareholders and made in consultation with the Fund Manager, who has an in-depth understanding of the respective company's operations. Voting decisions are taken in keeping with the provisions of the Manager's ESG Investment Principles which set out the Manager's approach to corporate governance and compliance with the Stewardship Code and are publicly available on the Manager's website at **www.janushenderson.com**. To retain oversight of the process, the Directors receive annual reporting on how the Manager has voted the shares held in the Company's portfolio, and they review the ESG Investment Principles at least annually.

During the year to 31 July 2020, the Fund Manager met with directors of various investee companies to discuss corporate governance issues and helped to shape their policies on such matters. In addition to remuneration, a broad range of topics was tackled, including board composition, workforce engagement, stakeholder relationships, diversity, strategy, and health and safety issues.

In the year to 31 July 2020, the Company voted with management on the majority of occasions (538) but voted against on 17 separate occasions. Generally, the Fund Manager's bias to high quality management/governance and the Company's exposure to developed Western markets mean that, although the Manager considers each voting proposal on its own merits, the Manager does not often feel the obligation to vote against management proposals. The key issues against which the Manager voted concerned director remuneration, director overboarding and director independence. Votes cast against management in respect of remuneration were generally either in light of concerns over the structure of incentive schemes and performance targets, lack of share deferral or insufficient justification for significant pay increases.

The environment

As an investment company, the Company's own direct environmental impact is minimal. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2019. The Fund Manager engages with investee companies on environmental matters where they arise. The Company's indirect impact occurs through the investments it makes, and the Fund Manager monitors the carbon footprint of the portfolio as a measure of its carbon intensity.

Business ethics

As the Company's operations are delegated to third-party service providers, the Board seeks assurances, at least annually, from its suppliers that they comply with the provisions of the UK Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017. The Company has received assurances from its main suppliers that they maintain a zero-tolerance policy towards the provision of illegal services.

Board diversity

It is the Company's aim to have an appropriate level of diversity in the boardroom. The Board welcomes the recommendations from the Hampton-Alexander Review on gender diversity on boards and the Parker Review on ethnic representation on boards.

The Directors are broad in their experience and skills, bringing knowledge of investment markets, business, financial services and stakeholder expertise to discussions on the Company's business. The Directors regularly consider the leadership needs and specific skills required to achieve the Company's investment objective.

The Nominations Committee considers diversity generally when making recommendations for appointments to the Board, taking into account gender, social and ethnic backgrounds, cognitive and personal strengths, and experience. The Board's prime responsibility, however, is the strength of the Board and its overriding aim in making any new appointments must always be to select the best candidate based on objective criteria and merit.

Currently the Board comprises five Directors: three male and two female. Whilst the Company has no employees and, therefore, has nothing further to report in respect of gender representation within the Company, the Company reports that the Manager fosters and maintains an environment that values the unique talents and contributions of every individual. The Manager strives to cultivate and practice inclusiveness for the long-term success of the business and for the benefit of its employees, clients and shareholders.

For and on behalf of the Board

Nicola Ralston
Chairman
1 October 2020

Key performance indicators

Measuring performance

To measure the success of the Company in meeting its objective and to evaluate the performance of the Manager, the Directors take into account the following key performance indicators ('KPIs'). The charts, tables and data on pages 1, 16 and 17 show how the Company has performed against those KPIs, and a glossary of terms and alternative performance measures is included on pages 71 to 73.

KPI	Action
Performance measured against the benchmark	The Board reviews and compares, at each of its meetings, the performance of the portfolio as well as the net asset value and share price for the Company and the return of its benchmark index, the FTSE World Europe (ex UK) Index. The Board considers this to be its most important key performance indicator.
Premium/discount to net asset value ('NAV')	The Board monitors the level of the Company's premium/discount to NAV and looks at ways of managing this at Board meetings. The Board reviews the average premium/ discount of the peer group companies in the AIC Europe Sector. In accordance with the authority granted at the last Annual General Meeting ('AGM'), and which the Directors seek to renew at the forthcoming Meeting, the Company retains the flexibility to repurchase shares when it sees fit. The Board considers whether to use share buybacks to enhance shareholder value. Shares are only bought back at a price below the prevailing NAV, thereby increasing the NAV for the remaining shareholders. The Board will continue to instruct purchases as required and in accordance with the authority granted. The Company publishes its NAV per share figure on a daily basis, through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the AIC formula and includes current financial year revenue, the same basis as that calculated for the Financial Statements. The NAV excluding current financial year revenue is also published for historical comparison.
Performance against the Company's peer group	The Company is included in the AIC Europe Sector. In addition to comparison against the stated benchmark, the Board also considers the performance of its peer group at each Board meeting.
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 investment company as a collective fund, excluding the costs of acquisition or disposal of investments, financing costs 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. The Board reviews the ongoing charge and monitors the expenses incurred by the Company. The ongoing charge at 31 July 2020 was 0.81% (2019: 0.81%).

Governance

Board of Directors

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

Nicola Ralston

Position: Chairman of the Board

Date of appointment: 1 September 2013 (Chairman 26 March 2014)

Background: Nicola has over 40 years' investment experience and is a director and co-founder of PiRho Investment Consulting, which focuses on bespoke investment advice to a wide range of institutional funds. She previously spent over 20 years in fund management at Schroders and was formerly head of global investment consulting at Hewitt (now Aon). Nicola is a director of Centrica Combined Common Investment Fund Limited. She was chair of the investment committee of the British Heart Foundation, a governor of the CFA Institute and a director of The Edinburgh Investment Trust plc.

Stephen King

Position: Director

Date of appointment: 1 December 2019

Background: Having been HSBC chief economist for 17 years until 2015, Stephen King is currently senior economic adviser to HSBC on a part-time basis. Stephen started his career as an economist for the Treasury and became private secretary to the chief economic adviser. He was specialist advisor to the House of Commons' Treasury Committee between 2015 and 2017. He is a fellow of the Society of Professional Economists and sits on the management council of the National Institute of Economic & Social Research. Stephen has written three books *'Losing Control: The Emerging Threats to Western Prosperity'* (2010), *'When the Money Runs Out: The End of Western Affluence'* (2013) and *'Grave New World: The End of Globalization, the Return of History'* (2017).

Rutger Koopmans

Position: Director

Date of appointment: 18 May 2016

Background: Rutger is a senior finance professional. He started his career at MeesPierson NV (formerly Bank Mees & Hope NV), before moving to ING, where he served as a managing director until 2008. Since then, he has been running an independent strategic advisory practice and he is a director at PIT Self-Placement BV and a non-executive partner at M-Partners Asset Management. Rutger is chairman of Office Depot Europe BV and a director of Vollenhoven Olie BV and is chairman of the Dutch Association of Credit Unions, Voedselbank Amsterdam (the Amsterdam Food Bank) and Pluryn (specialised youth care and specialised health care for youth and adults with complicated needs). These entities are not publicly listed. Rutger is also the author of '*Your Life Your Rules, taking charge of your working life*'.

Ekaterina (Katya) Thomson

Position: Chairman of the Audit and Risk Committee

Date of appointment: 17 May 2017 (Chairman of the Audit and Risk Committee 15 November 2017)

Background: Katya is a corporate finance, strategy and business development professional with over 25 years of experience with UK and European blue chip companies. She is a non-executive director and audit committee chairman of Miton Global Opportunities plc and AVI Japan Opportunity Trust plc, and a non-executive director of The New Carnival Company CIC. Katya is a member of the Institute of Chartered Accountants in England and Wales.

David Marsh, CBE

Position: Director

Date of appointment: 24 May 2011

Background: David is chairman and co-founder of the Official Monetary and Financial Institutions Forum ('OMFIF'), director of the OMFIF Foundation and a member of the advisory board of the British Chamber of Commerce in Germany. He is a co-founder and former chairman of the German-British Forum. A former Financial Times journalist, David is a frequent media commentator and the author of six books including *'The Battle for the New Global Currency'* and *'Europe's Deadlock: How The Crisis Could be Solved – And Why It Won't Happen'*. David will retire from the Board at the conclusion of the Annual General Meeting in November 2020.

All Directors are non-executive and independent of Janus Henderson. All are members of the Audit and Risk Committee, chaired by Katya Thomson, and the Insider Committee, Management Engagement Committee and Nominations Committee, chaired by Nicola Ralston.

Corporate governance report

The Corporate Governance report and the Audit and Risk Committee report form part of the Directors' report.

Corporate governance

The Board is accountable to shareholders for the governance of the Company's day-to-day affairs and is pleased to report on the Company's governance arrangements and how the principles of the applicable codes have been applied during the year under review.

Applicable corporate governance codes

The Company maintains a premium listing on the London Stock Exchange and is therefore required to report on how the principles of the UK Corporate Governance Code ('UK Code') issued by the Financial Reporting Council ('FRC') have been applied. Being an investment company, a number of the provisions of the UK Code are not applicable as the Company has no executive directors or internal operations and all day-to-day activities are outsourced to external service providers. The Board has therefore considered the principles and provisions of the AIC Code of Corporate Governance ('AIC Code') issued in February 2019. The AIC Code addresses the principles and provisions set out in the UK Code, as well as setting out additional provisions and recommendations on issues that are of specific relevance to investment companies.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to shareholders about the Company's governance arrangements, and that by reporting against the AIC Code the Company has met its obligations in relation to the UK Code and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules.

The UK Code is available on the FRC website (**www.frc.org.uk**). The AIC Code is available on the AIC website (**www.theaic.co.uk**) and includes an explanation of how the AIC Code adapts the UK Code's principles and provisions for investment companies.

Statement of compliance

The Company has complied with the principles and provisions of the AIC Code except in respect of the appointment of a senior independent director.

No senior independent director has been appointed. The Chairman of the Audit and Risk Committee leads the annual evaluation of the Chairman's performance. Shareholders are invited to raise any concerns with either the Chairman of the Audit and Risk Committee or with any of the other Directors, each of whom has areas of expertise on which they lead.

The Company has no chief executive or other executive directors and has therefore not reported further in respect of these provisions. In addition, the Company does not have any internal operations and therefore does not maintain an internal audit function. However, the Audit and Risk Committee considers the need for such a function at least annually (see page 39 for further information).

As the Company has no employees and has a small Board of solely non-executive Directors, the Board has not established a separate Remuneration Committee. The remuneration of Directors is dealt with by the Board as a whole.

Directors

The Board has set, and each Director has agreed to adopt, generic terms and conditions of appointment of non-executive Directors of the Company.

Any shareholder wishing to inspect these documents are requested to contact the Company Secretary at **itsecretariat@janushenderson.com**.

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 AGM in accordance with the Articles of Association. Stephen King will stand for election at this year's AGM, following his appointment to the Board on 1 December 2019.

In accordance with the AIC Code, all Directors will stand for re-election annually, with the exception of David Marsh who will retire at the conclusion of the AGM.

The contribution and performance of the Directors seeking re-election was reviewed by the Nominations Committee at its meeting in July 2020, which recommended their continuing appointment to the Board.

Under the Articles of Association shareholders may remove a Director before the end of his or her 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.

Tenure

Whilst there is no formal tenure policy for Directors (other than the Chairman), it is not anticipated that any of the Directors would normally serve in excess of nine years. In exceptional circumstances, which would be fully explained to shareholders at the time, a one or two year extension might be necessary.

Following the conclusion of this year's AGM, no Director will have served for more than nine years.

Chairman's tenure policy

Given the entirely non-executive nature of the Board and as the Chairman may not be appointed as such at the time of their initial appointment as a Director, the Chairman's tenure may be longer where this is considered by the Board to be in the best interests of the Company. It is not anticipated that the Chairman will normally serve in excess of nine years, however, in

Corporate governance report (continued)

exceptional circumstances, which would be fully explained at the time, a one or two year extension might be necessary. As with all Directors, the continuing appointment of the Chairman is subject to a satisfactory performance evaluation, annual re-election by shareholders and may be further subject to the particular circumstances of the Company at the time he or she intends to retire from the Board. The Directors are cognisant of the benefits of Board diversity and the regular refreshment of the Board's membership and seek to refresh the Board while retaining a balance of knowledge of the Company, diversity and the relationship with the Fund Manager.

Directors' independence

All Directors are non-executive and have a range of other interests. At the Nominations Committee meeting in July 2020, the Directors reviewed their independence and confirmed that all Directors remain wholly independent of the Manager. 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.

There were no contracts in force 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' 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 for consideration by those Directors who have no interest in the matter. In deciding whether to authorise the situational conflict, the non-conflicted Directors must act honestly and in good faith in 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 and the register of directors interests. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts, and the Board believes that the system it has in place for reporting and considering situational conflicts, continues to operate effectively. The Chairman has had no relationships that may have created a conflict between her interests and those of the Company's shareholders.

Directors' professional development

When a new Director is appointed he or she is offered an induction seminar which is held by the Manager at the request of the Chairman. Stephen King attended such an induction following his appointment in December 2019. 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 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 evaluation.

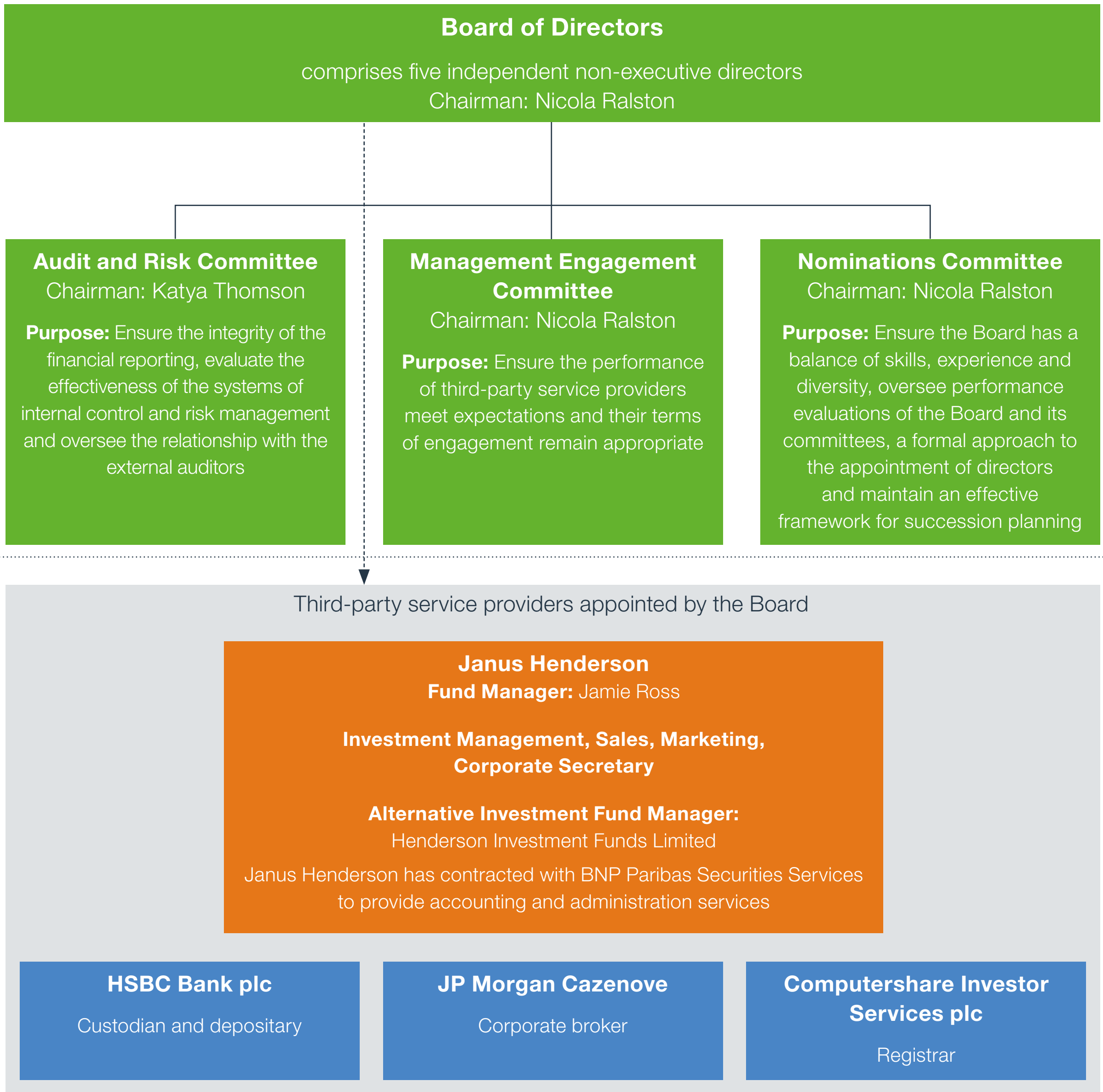
Directors' insurance and indemnification

Directors' and officers' liability insurance cover was in place throughout the financial year and remains in place at the date of this report. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising from their positions as Directors, in which they are acquitted or judgment is given in their favour by the Court. The Company has granted such an 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.

Corporate governance report (continued)

The Board's Committees

The Board has three principal Committees: the Audit and Risk Committee, the Management Engagement Committee and the Nominations Committee.



The Board has also constituted an Insider Committee which meets when required to assist the Board in discharging its responsibilities under the Market Abuse Regulations and the FCA's Listing Rules and Disclosure Guidance and Transparency Rules. All Directors are members of the Insider Committee, which is chaired by the Chairman of the Board.

The terms of reference for each Committee are kept under regular review by the Board and are available on the Company's website **www.hendersoneurotrust.com**. The reports on the activities of each of the Board's principal Committees are set out on pages 35 to 40.

Corporate governance report (continued)

Board of Directors

Composition

The Board comprises five non-executive Directors. Their biographies are included on page 29. Those details demonstrate the breadth of investment, commercial and professional experience relevant to their position as Directors. All Directors served throughout the year, with the exception of Stephen King who was appointed on 1 December 2019. Rutger Koopmans is resident in the Netherlands. The other members of the Board are resident in the UK.

Role of the Board

The Board is collectively responsible for the success of the Company. Its role is to provide leadership within a framework of prudent and effective controls that enables risk to be assessed and managed. The Board is responsible for setting the Company's standards and values and for ensuring that its obligations to its shareholders and others are understood and met. The Board sets the Company's strategic aims (subject to the Company's Articles of Association, and to such approval of the shareholders in General Meeting as may be required from time to time) and ensures that the necessary resources are in place to enable the Company's objectives to be met.

The Board meets formally at least six 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 Chairman is responsible for leading the Board and for ensuring that it continues to deal effectively with all the aspects of its role.

The Board has a formal schedule of matters specifically reserved for its decision, which include: strategy and management; structure and capital; financial reporting and controls; internal controls and risk management; contracts; communications and public relations; Board membership and other appointments; delegation of authority; remuneration; corporate governance; and policies. The schedule of matters reserved for the Board is available on the website **www.hendersoneurotrust.com**.

The Board is responsible for the approval of annual and half-year results and other public documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Company's position and prospects.

At each meeting the Directors follow a formal agenda, which includes a review of the Company's NAV, share price, discount, financial position, gearing levels, peer group performance, investment performance, asset allocation and transactions and any other relevant business matters to ensure that control is maintained over the affairs of the Company. The Board monitors compliance with the Company's objective and is responsible for setting asset allocation, investment and gearing limits within which the Manager has discretion to act, and regularly reviews investment strategy. The Board receives regular reports from the Manager on marketing and investor relations.

The Board has adopted a procedure for Directors to take independent professional advice in the furtherance of their duties at the expense of the Company. To enable them to discharge their responsibilities, all Directors have full and timely access to relevant information.

Board attendance

The table below sets out the number of scheduled Board and Committee meetings held during the year under review and the number of meetings attended by each Director. With the exception of Stephen King who was appointed on 1 December 2019, all Directors attended the AGM in November 2019.

	Board	ARC	MEC	NC
Number of meetings	**6**	**3**	**1**	**1**
Nicola Ralston	6/6	3/3	1/1	1/1
Stephen King[1]	4/4	2/2	1/1	1/1
Rutger Koopmans	6/6	3/3	1/1	1/1
David Marsh	6/6	3/3	1/1	1/1
Katya Thomson	6/6	3/3	1/1	1/1

1 Appointed on 1 December 2019
ARC: Audit and Risk Committee
MEC: Management Engagement Committee
NC: Nominations Committee

The Insider Committee did not meet during the year.

The Directors and Committees of the Board also met during the year to undertake business such as the approval of the Company's results and dividends and the appointment of Stephen King.

Performance evaluation

The performance of the Company is considered in detail at each Board meeting. In the year under review the Nominations Committee conducted a review of the Board's performance, together with that of its Committees, the Chairman and each individual Director. This was conducted by way of evaluation questionnaires. The results of the questionnaires were supplied to the Chairman who collated the results and provided a summary to the Board. The Chairman of the Audit and Risk Committee collated the feedback on the Chairman and provided a summary in respect of the Chairman's evaluation. It was concluded that the performance of the Board, its Committees, the Chairman and each individual Director was satisfactory and the Board has a good balance of skills and experience. In particular, it is

Corporate governance report (continued)

considered that each Director makes a significant contribution to the affairs of the Company, the Chairman continues to display effective leadership and Directors seeking election and re-election at the Company's AGM merit election and re-election by shareholders.

Audit, risk and internal control

The Board has established an Audit and Risk Committee, whose report is on pages 37 to 40. The report explains why the Company does not have its own internal control function, how the independence and effectiveness of the external auditor is assessed, and how the Board satisfies itself on the integrity of the financial statements. The report covers the process by which the Board satisfied itself that the Annual Report presents a fair, balanced and understandable assessment of the Company's position and prospects. It also describes risk management procedures, as well as how the Board oversees the internal control framework and determines the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.

Relationship with Janus Henderson

The Statement of Directors' Responsibilities in respect of the Financial Statements is set out on page 46, the Independent Auditor's Report on pages 48 to 52 and the Viability Statement on page 25.

The Board has contractually delegated to external third parties the management of the investment portfolio, the custodial services (which include the safeguarding of the assets delegated through the appointment of the Depositary as explained on page 71), the day-to-day accounting and cash management, 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 the Manager, and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman is invited to attend meetings of all the chairmen of the investment trust companies managed by Janus Henderson, this provides a forum to discuss industry matters which would then be reported to the Board.

The Manager takes decisions as to the purchase and sale of individual investments. The Manager also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of Janus Henderson attend Board meetings 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 minuted, ensuring that any Director's concerns are recorded. The Board and the Manager operate in a supportive, co-operative and open environment.

The Corporate Secretary, Henderson Secretarial Services Limited, is a subsidiary of Janus Henderson with its own reporting lines and audited internal controls. There are processes and controls in place to ensure that there is a clear distinction between Henderson Secretarial Services Limited and Janus Henderson, particularly when dealing with any conflicts or issues between the Company and Janus Henderson. Any correspondence from shareholders addressed to the Chairman or the Company received at Janus Henderson's offices is forwarded to the Chairman of the Company in line with audited procedures. Any correspondence is submitted to the next Board meeting.

Janus Henderson and BNP Paribas Securities Services, which acts for Janus 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.

Continued appointment of the Manager

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 the Manager are contained on pages 19 and 20.

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

During the year, the Board and Manager agreed that the notice period set out in the management agreement be reduced from six months to three months to align the notice period with that of the Fund Manager.

Following an annual review, it is the Directors' opinion that the continuing appointment of the Manager on the existing terms is in the interests of the Company and its shareholders as a whole.

Corporate governance report (continued)

Management Engagement Committee

The Management Engagement 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.

Membership

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

Meetings

The Committee meets at least annually, with additional meetings scheduled when required.

Role and responsibilities

In discharging its duties over the course of the year, the Committee considered:

- the investment performance of the Company, taking account of the benchmark and performance of competitors in the AIC peer group, the share price total return, NAV total return, dividend growth, dividend yield and discount versus the peer group;
- the quality and experience of the team involved in managing all aspects of the Company's business;
- the fee structures of its competitors in the AIC peer group and other Janus Henderson managed investment companies;
- the key clauses of the management agreement, how the Manager had fulfilled these and whether these continued to be appropriate; and
- the performance and fees of the Company's other third-party service providers, including the brokers, depositary, custodian, registrar, auditors, legal counsel and the Company's accountants.

Re-appointment of the Manager

Following completion of its annual review of the Manager in July 2020, the Committee concluded that the continued appointment of the Manager remained in the best interests of the Company and the shareholders, and therefore recommended to the Board the re-appointment of Janus Henderson for a further year. More detail can be found on page 34.

Committee evaluation

The activities of the Management Engagement Committee were considered as part of the Board appraisal process.

Nominations Committee

The Nominations 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 appointment of new Directors through an established formal procedure.

Membership

The Committee is chaired by the Chairman of the Board, except when the Chairman's performance or successor is being considered. All Directors are members of the Committee.

Meetings

The Committee meets at least annually, with additional meetings scheduled when required.

Role and responsibilities

In discharging its duties over the course of the year, the Committee considered:

- the composition of the Board and each of its Committees, taking account of the skills, experience and knowledge of each Director continued to contribute to the success of the Company;
- the outcomes of the Board performance evaluation with a view as to whether adjustments should be made to the number of Directors or knowledge and skills represented on the Board;
- the tenure of each of the Directors, giving consideration as to whether the Board retained a sufficient balance of tenure without becoming complacent;
- the independence of the Directors, taking account of the Directors' other commitments, in line with the guidelines established by the AIC Code;
- the time commitment of the Directors, in the context of their other business commitments and appointments, and whether this had been sufficient over the course of the year;
- succession planning for appointments to the Board, the tenure of the current Directors and recommendations of the AIC Code in respect of the length of service of Directors and the Chairman; and
- the performance and contribution of the Directors standing for re-election at the forthcoming annual general meeting.

Following completion of its reviews, the Committee concluded that the Board continued to operate effectively. Taking into account the FRC's guidance, the Committee considered that no Director was 'overboarded'.

Having considered the performance of individual Directors, the Committee recommended to the Board that it should support the re-election of the Directors seeking re-election at the 2020 Annual General Meeting.

Corporate governance report (continued)

When considering succession planning and tenure policy, the Nominations Committee bears in mind the balance of skills, knowledge, experience, gender and diversity on the Board, the achievement of the Company's investment objective and compliance with the Company's Articles of Association and the AIC Code. Individual performance and the contribution of each Director remain a key element of the Company's approach in making determinations on tenure. The Nominations Committee considers diversity as part of the annual performance evaluation and it is considered that there is a broad 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 for gender diversity; candidates are assessed in relation to the relevant needs of the Company at the time of appointment. The Nominations Committee will make recommendations 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 recruitment agencies and did so for the recruitment of Stephen King who joined the Board on 1 December 2019. Stephenson Executive Search Limited was selected to assist with this search, and has not provided any other services to the Company.

The Nominations 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 Nominations Committee also takes into account the mix of skills and experience of the current Board members. The Committee considers the time commitment of the Directors including other business commitments and appointments.

The Nominations Committee met in July 2020 to carry out its annual review of the Board and its Committees. The results of the performance evaluation are detailed on pages 33 and 34.

Committee evaluation

The activities of the Nominations Committee were considered as part of the Board appraisal process.

For and on behalf of the Board

Nicola Ralston
Chairman
1 October 2020

Audit and Risk Committee report

Composition

The Audit and Risk Committee comprises all Directors and is chaired by Katya Thomson, who is a Chartered Accountant. The other Audit and Risk 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 Audit and Risk Committee members has recent and relevant financial experience. The Audit and Risk Committee as a whole is considered to have competence relevant to the sector. The biographies of the Audit and Risk Committee members are shown on page 29. All members of the Audit and Risk Committee are independent.

The Board believes that it is appropriate for the Chairman of the Board to be a member of the Audit and Risk Committee. This is because the Board comprises only five directors, and to lose the Chairman's contribution to the Audit and Risk Committee's deliberations would not be in the best interests of shareholders, given her experience and expertise. The Audit and Risk Committee will monitor the situation and take into account shareholder views on the matter.

Meetings

The Audit and Risk Committee met formally three times during the year under review: in advance of the publication of both the annual and the half-year results and on one other occasion with an agenda that was focused on its broader responsibilities. The Company's Auditor is invited to attend meetings as necessary. Representatives of the Manager (including representatives of the Operational Risk, Internal Audit, Business Continuity functions, and the Chief Information Security Officer) and BNP Paribas Securities Services may also be invited.

Committee evaluation

The activities of the Audit and Risk Committee were considered as part of the Board appraisal process.

Role and responsibilities

The role of the Audit and Risk Committee is to assist the Board in applying the financial reporting and internal control principles and to maintain an appropriate relationship with the Auditor. The Audit and Risk Committee formally reports to the Board. The responsibilities are set out in formal terms of reference which are reviewed at least annually.

In the year under review the main duties undertaken were:

- consideration of the appropriateness of the Company's accounting policies and 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 Janus Henderson;
- a review of the half-year results and the Annual Report, including the disclosures made therein in relation to internal controls and risk management, viability, 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 position and performance, business model, strategy and continued operation (including advising the Board on whether the Company is able to meet its liabilities as they fall due) in order to make recommendations to the Board. In assessing whether the report is fair, balanced and understandable, each Director reviewed the disclosures made, applying their respective knowledge and expertise. The internal controls over financial reporting were also considered, together with feedback from the Company's Auditor, the Manager and the Corporate Secretary;
- consideration of the appropriate level of dividend to be paid by the Company for recommendation to the Board;
- consideration of the internal controls in place at Janus Henderson, and the Company's other principal third-party service providers;
- consideration of Janus Henderson's policies in relation to information security and business continuity, meeting with representatives of Janus Henderson's internal audit and risk departments periodically;
- consideration of the key risks, risk management systems in place and the Company's risk map;
- consideration of the Company's Anti-Bribery Policy and the policies and procedures in place to prevent tax evasion;
- consideration of the nature, scope and cost of the external audit and the findings therefrom;
- annual consideration of whether there is a need for an internal audit function;
- consideration of the appointment of the Auditor, the Auditor independence, objectivity, effectiveness, provision of any non-audit services and tenure of appointment;
- consideration of Janus Henderson's whistle-blowing policy for its staff to raise concerns about possible improprieties, including in relation to the Company, in confidence; and
- consideration of the annual confirmation from the Company's Depositary in respect of the safe-keeping of the Company's assets.

Audit and Risk Committee report (continued)

Annual report for the year ended 31 July 2020

In relation to the Annual Report for the year ended 31 July 2020 the following significant issues were considered by the Audit and Risk 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 is verified by reconciliation to the Custodian's records and the Directors receive quarterly reports from the Depositary who has responsibility for overseeing operations of the Company, including verification of ownership and valuation.
Recognition of income	Income received is accounted for in line with the Company's accounting policy (as set out on page 57) and is reviewed by the Committee.
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, receiving supporting documentation from Janus Henderson and BNP Paribas Securities Services.
Maintaining internal controls	The Committee receives regular reports on internal controls from Janus Henderson and its delegates and has access to the relevant personnel of Janus Henderson who have a responsibility for risk management and internal audit. The assurance reports for two of the Company's service providers were qualified by the respective service auditors. The Committee reviewed the instances giving rise to the qualification and received confirmation that the exceptions identified had no impact on the Company.

The Committee is satisfied that the Annual Report for the year ended 31 July 2020, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

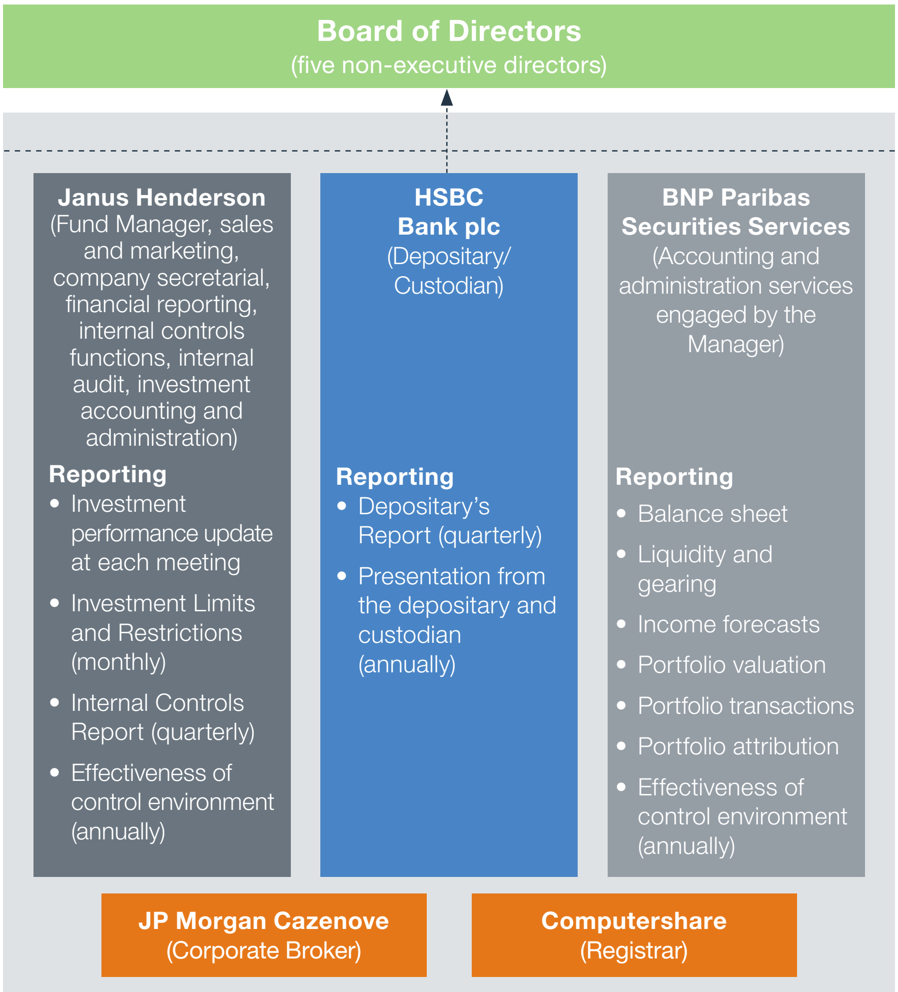
System of internal controls

How the system of internal control operates

The Board delegates contractually to service providers all the Company's operational requirements. It maintains oversight of these providers throughout the year by receiving regular reporting on their activities. All are considered key stakeholders.

The Management Engagement Committee formally evaluates the performance and service delivery of all service providers at least annually.

The Audit and Risk Committee evaluates the performance of the statutory auditor on completion of each audit cycle.



Audit and Risk Committee report (continued)

Internal control and risk management

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Audit and Risk Committee supports the Board in the continuous monitoring of the internal control and risk management framework.

The Board has established an ongoing process for identifying, evaluating and managing the principal and new or emerging risks faced by the Company. The process accords with the FRC's guidance on Risk Management, Internal Control and Related Business and Financial Reporting published in September 2014. The system was in operation throughout the period and up to the date of this report. The system is designed to meet the specific risks faced by the Company and takes account of the nature of the Company's reliance on its service providers and their internal controls. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute assurance against material misstatement or loss.

The key components of the internal control framework include:

- clearly defined investment criteria which specify levels of authority and exposure limits. The Board reviews reports on compliance with the criteria at each meeting;
- regular reporting which allows the Board to assess the Company's financial position. The management accounts and forecasts are reviewed by the Board at each meeting;
- the contractual agreements with the Manager and other third-party service providers. The Board reviews performance levels and adherence to relevant provisions of the agreements on a regular basis through reports received and conducts a formal evaluation of the overall level of service provided at least annually;
- the review of controls at the Manager and other third-party service providers. The Board receives quarterly reporting from the Manager and Depositary and reviews annual assurance reports on the effectiveness of the control environments at the Company's key service providers; and
- review of additional reporting provided by:
  - the Manager's Operational Risk team on the control environment in operation at the Manager and their view of the control environments in place at the third-party service providers used by the Company; and
  - the Manager's Internal Audit team on areas of operation which are relevant to the Company.

The Board has reviewed the Company's system of internal controls for the year ended 31 July 2020. During the course of its review the Board has not identified or been advised of any failings or weaknesses relating to the Company's portfolio that have been determined as significant.

Internal audit function

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.

The Company is an investment company, has no employees and delegates all executive activities to third-party service providers, principally among them, the investment manager, Janus Henderson. The Board places reliance on the Company's framework of internal control and the Audit and Risk Committee's view on reporting received from specific second and third line of defence teams at the Manager.

The Manager's Operational Risk team supports the Audit and Risk Committee in considering the independently audited reports on the effectiveness of internal controls in place at the Company's third-party service providers. The Manager's Internal Audit department provides regular reporting to the Board on the operations at the Manager and presents at least annually to the Audit and Risk Committee. The Board has therefore concluded that it is not necessary at the present time for the Company to have its own internal audit function.

Auditor appointment and tenure

Regulations currently in force require the Company to rotate audit firms after a period of ten years, which may be extended where audit tenders are carried out or where more than one audit firm is appointed to carry out the audit. The Committee last carried out an audit tender process in 2019 which led to the appointment of BDO LLP (BDO) for the statutory audit for the financial year ended 31 July 2020.

The auditor is required to rotate partners every five years. This is the first year that the current audit partner has been in place.

Auditor review and independence

The Committee monitors the auditor's independence through the approval of a policy regulating the non-audit services that may be provided by the auditor to the Company, assessing the appropriateness of audit fees paid and by reviewing the information and assurances provided by the auditor on their compliance with the relevant ethical standards.

BDO confirmed that all its partners and staff involved with the audit were independent of any links to the Company, and that these individuals had complied with their ethics and independence policies and procedures which are fully consistent with the FRC's Ethical Standards.

The Audit and Risk Committee has the opportunity to discuss the audit process with the auditor without representatives of the Manager present and considers the effectiveness of the audit process.

Audit and Risk Committee report (continued)

Non-audit services policy

The Audit and Risk Committee has approved, and keeps under regular review, the policy on the provision of non-audit services by the auditor. The Audit and Risk Committee has determined that the statutory auditor will not be engaged to provide any non-audit services without the approval of the Audit and Risk Committee. The statutory auditor is not pre-approved to provide any non-audit services. The Audit and Risk Committee may approve the provision of non-audit services if they consider such services to be:

- relevant to the statutory audit work;
- more efficiently provided by the statutory audit firm than by a third party; and
- at low risk of impairing the independence, objectivity and effectiveness of the audit.

The Audit and Risk Committee will refer to the Board any engagement with a cost or potential cost greater than £10,000. All engagements for non-audit services will be determined on a case-by-case basis. In addition, the provision of any non-audit services by the auditor is not permitted to exceed 70% of the average annual statutory audit fee for the three consecutive financial periods preceding the financial period to which the cap applies.

No non-audit services have been provided by BDO since their appointment.

Effectiveness of the external audit

The Committee considers the effectiveness of the audit process after each audit. The FRC's Audit Quality Inspection Report is supplied to the Audit and Risk Committee for information to assist with the assessment of the Auditor's effectiveness.

The Audit and Risk Committee remained satisfied with the performance of BDO for the year ended 31 July 2020.

Fees

Fees paid or payable to the Auditor are detailed in Note 6 on page 59.

For and on behalf of the Board

Katya Thomson
Chairman of the Audit and Risk Committee
1 October 2020

Directors' remuneration report

Annual statement

As Chairman, Nicola Ralston reports that following an annual review of fees in July 2020, Directors' fees were not increased.

The Annual Report 2019 advised that in order to ensure that non-UK resident Directors were not disadvantaged relative to UK Directors and potentially deterred from serving on the Board, the Board had determined that non-UK resident Directors would be paid an additional amount of £5,735 per annum in lieu of these individuals claiming travel and other expenses (including overnight stays where necessary) attributable to their attendance at Board, Committee and other relevant meetings. This was because in 2019, the Board determined that travel and other expenses attributable to Director attendance at Board, Committee and other relevant meetings should be treated as taxable. In reaching its decision the Board considered the number of meetings held annually, the total taxable expenses previously paid by the respective Director and other expenses paid by the Company on an annual basis over the preceding two years. The resulting additional amount paid to non-UK resident Directors ensures that those Directors do not incur personal expense for their attendance at relevant meetings. The resulting aggregate remuneration for Directors did not exceed £150,000 and was in accordance with the policy in terms of the authorisation for Directors to claim reasonable expenses from the Company in relation to the performance of their duties. However, as a result of the COVID-19 restrictions on travel, Rutger Koopmans has not received an additional amount during the period for which he did not incur travel expenses.

The Company's Articles of Association currently state that the aggregate remuneration of the Directors may not exceed £150,000 per annum. The Board proposes an alteration of the Company's Articles of Association to increase that amount to £200,000 per annum. The total remuneration to Directors for the year ended 31 July 2020 was £135,216, which is close to the current limit. The remuneration policy would be updated accordingly if the Articles of Association are approved by shareholders at this year's AGM.

The Board is not currently considering increasing the fees payable to Directors and when making a decision to increase remuneration the Directors review the fees paid to the boards of directors of other comparable investment trust companies.

The Company's remuneration policy has been in place since 2014 and was last approved by shareholders at the AGM in 2017. The policy has been updated to include the ability for the Board to approve one-off payments to Directors for specific work undertaken in addition to their regular responsibilities, for example in relation to corporate actions that arise from time to time, and include clarification on the position of additional payments to non-UK resident Directors in lieu of these individuals claiming travel and other expenses (including overnight stays where necessary) attributable to their attendance at Board, Committee and other relevant meetings.

In accordance with section 439A of the Act, the report and remuneration policy will be put to shareholders at the forthcoming AGM. The vote on the report is advisory. The vote on the policy is binding, and subject to approval, the remuneration policy will remain in place until 2023, unless amended by way of an ordinary resolution put to shareholders at a general meeting.

There have been no other major decisions on Directors' remuneration or any other changes to the remuneration paid to each individual Director in the year under review.

Report on implementation

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 (the 'Regulations'). The report also meets the relevant requirements of the Companies Act 2006 (the 'Act') and the Listing Rules of the FCA 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 AGM in November 2020. Changes to the policy are described above.

The Board may amend the level of remuneration paid to individual Directors within the parameters of the remuneration policy. The Company's Auditor is required to report on certain information contained within this report; where information set out overleaf 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 Board as a whole considers the Directors' remuneration. The Board has not appointed a remuneration committee to consider such matters. 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).

Directors' remuneration report (continued)

Remuneration policy

In determining the remuneration policy, the Board takes into account all factors which it deems necessary including relevant legal and regulatory requirements, the AIC Code and whether the policy supports the Company's long-term sustainable success.

Directors are remunerated in the form of fees, payable quarterly in arrears. In accordance with the Company's Articles of Association, the aggregate remuneration of the Directors may not exceed £150,000 per annum (if the Company's updated Articles of Association are approved by shareholders at this year's AGM, this limit will increase to £200,000). Subject to the overall limit, the objective of the remuneration policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors, and should be sufficient to promote the long-term success of the Company and to enable candidates of a high calibre to be recruited without paying more than is necessary and having regard to the views of shareholders and other stakeholders. The Board obtains information about remuneration in other companies of comparable scale and complexity in order to avoid and manage conflicts of interest in determining remuneration levels.

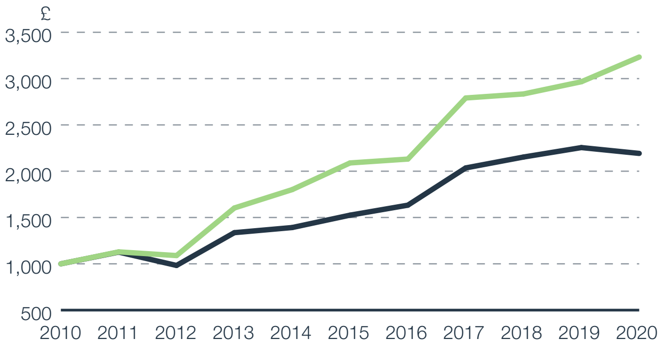
Directors, including any new appointments to the Board, are paid at the same rate, apart from the Chairman of the Board and the Chairman of the Audit and Risk Committee who are paid a higher fee in recognition of their additional responsibilities.

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. From time to time the Board may approve one-off payments to Directors for specific work undertaken in addition to their regular responsibilities. Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties. Payments of additional amounts are made to non-UK resident Directors in lieu of these individuals claiming travel and other expenses (including overnight stays where necessary) attributable to their attendance at Board, Committee and other relevant meetings. The additional amount is included in the aggregate remuneration limit as set out in the Company's Articles of Association.

No Director has a service contract with the Company. Directors' appointments may be terminated at any time by written notice with no compensation payable. No Director is eligible to receive bonuses, pension benefits, share options or other benefits and no long-term incentive schemes are in place.

Performance

The graph below compares the mid-market price of the Company's ordinary shares over the ten year period ended 31 July 2020 with the return from the FTSE World Europe (ex UK) Index over the same period.



Company's share price total return, assuming the notional investment of £1,000 on 31 July 2010 and the reinvestment of all dividends (excluding dealing expenses). (Source: Morningstar Direct).

Benchmark total return assuming the notional investment of £1,000 on 31 July 2010 and the reinvestment of all income (excluding dealing expenses). (Source: Morningstar Direct).

Directors' remuneration report (continued)

Directors' remuneration (audited)

The remuneration paid to the Directors who served during the years ended 31 July 2020 and 31 July 2019 was as follows:

	Year ended 31 July 2020 Total salary and fees £	Year ended 31 July 2019 Total salary and fees £	**Year ended 31 July 2020 Taxable benefits £**	Year ended 31 July 2019 Taxable benefits £	**Year ended 31 July 2020 Total £**	Year ended 31 July 2019 Total £
Nicola Ralston[1]	35,000	35,000	–	–	35,000	35,000
Rutger Koopmans	29,527	25,000	–	4,306	29,527	29,306
David Marsh	25,000	25,000	–	–	25,000	25,000
Katya Thomson[2]	29,000	29,000	–	–	29,000	29,000
Stephen King[3]	16,689	–	–	–	16,689	–
	135,216	**114,000**	**–**	**4,306**	**135,216**	**118,306**

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 and Risk Committee
3 Appointed on 1 December 2019
For the years ended 31 July 2020 and 31 July 2019, the fees paid to Directors were: Chairman £35,000, Chairman of the Audit and Risk Committee £29,000 and Directors £25,000. 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. Non-UK resident Directors are paid an additional amount of £5,735 per annum in lieu of these individuals claiming travel and other expenses attributable to their attendance at Board, Committee and other relevant meetings. This change was effective from 1 August 2019. The additional amount has been removed whilst travel restrictions as a result of the COVID-19 pandemic are in place.

Expenditure on pay

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

	2020 £'000	2019 £'000	2015 £'000	1 year change £'000	1 year change %	5 year change £'000	5 year change %
Total remuneration paid to Directors[1]	**135**	118	102	17	14.4	33	32.4
Ordinary dividends paid during the year	**6,568**	6,462	3,678	106	1.6	2,890	78.6

1 Increases will fluctuate due to the number of Directors in any one year

Directors' interests in shares (audited)

The interests of the Directors in the ordinary shares of the Company at the end of each financial year are shown in the table below.

	Ordinary shares of 5p	
	31 July 2020	31 July 2019
Nicola Ralston	**12,000**	12,000
Stephen King[1]	**–**	N/A
Rutger Koopmans	**4,900**	4,900
David Marsh	**7,769**	7,300
Katya Thomson	**4,500**	2,500

1 Appointed 1 December 2019

There have been no changes to the Directors' holdings in the period 1 August 2020 to the date of this Annual Report.

In accordance with the Company's Articles of Association, no Director is required to hold any shares in the Company by way of qualification.

Statement of voting at AGM

At the 2019 AGM 9,732,575 votes (99.89%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 11,001 (0.11%) were against, 12 (0.00%) were discretionary and 13,905 were withheld. In relation to the approval of the Remuneration Policy approved at the 2017 AGM, 5,909,384 (99.80%) were received voting for the resolution, 10,699 (0.18%) were against, 1,328 (0.02%) were discretionary and 4,978 were withheld. All percentages of votes exclude votes withheld.

For and on behalf of the Board

Nicola Ralston
Chairman
1 October 2020

Directors' report

The Directors present the audited Financial Statements of Henderson EuroTrust plc (the 'Company') and their report for the year from 1 August 2019 to 31 July 2020. The Company (a public limited company registered and domiciled in England & Wales with company registration number 2718241) was active throughout the year under review and was not dormant.

The Investment Portfolio on pages 13 and 14, the Corporate Governance report and the Audit and Risk Committee report on pages 30 to 40 and the Shareholder Information on pages 74 and 75 form part of the Directors' report.

Directors

Details of the Directors and their appointments can be found on page 29.

Share capital

The Company's share capital comprises ordinary shares with a nominal value of 5p each. The voting rights of the shares on a poll are one vote for each share held. There are no restrictions on the transfer of the Company's ordinary shares or voting rights, no shares which carry specific rights with regard to the control of 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 the shareholders pro rata to their holding of ordinary shares.

At 31 July 2020 and 31 July 2019 there were 21,205,541 ordinary shares in issue (of which 20,000 were held in treasury). No shares were issued during the year or in the period from 1 August 2020 to 1 October 2020. Shares in treasury do not carry voting rights, therefore, as at 31 July 2020 and 1 October 2020 the number of shares in issue (with voting rights) was 21,185,541.

The Directors seek annual authority from shareholders to allot new ordinary shares, to disapply pre-emption rights of existing shareholders and to buyback ordinary shares for cancellation or to be held in treasury. At the AGM held in November 2019 the Directors were granted authority to buyback 3,178,710 shares (being 14.99% of the issued ordinary share capital as at 13 November 2019). In the period from 1 August 2020 to 1 October 2020 the Company did not buyback any ordinary shares. There remained 3,178,710 ordinary shares available within the buyback authority granted in 2019. This authority will expire at the conclusion of the 2020 AGM. The Directors intend to renew this authority subject to shareholder approval.

Holdings in the Company's shares

Declarations of interests in the voting rights of the Company as at 31 July 2020 in accordance with the Disclosure Guidance and Transparency Rules were as follows:

Shareholder	% of voting rights
1607 Capital	13.3
Brewin Dolphin	9.4
Wells Capital Management	5.3
Smith & Williamson	5.2
Rathbone Investment Management	3.9
Royal Bank of Scotland	3.9
Investec Wealth & Investment	3.7

The Company was notified that 1607 Capital's interest had decreased to 12.9% on 25 September 2020, no other changes have been notified in the period 1 August 2020 to 1 October 2020.

Related party transactions

The Company's transactions with related parties in the year were with its Directors and the Manager. 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. Directors' shareholdings are disclosed on page 43.

In relation to the provision of services by the Manager, other than fees payable by the Company in the ordinary course of business and the facilitation of marketing activities with third parties, there have been no material transactions with the Manager affecting the financial position of the Company during the year under review. More details on transactions with the Manager, including amounts outstanding at the year end, are given in Note 19 on page 69.

Energy and carbon reporting

Details of the Company's disclosures with regard to energy and carbon reporting can be found on page 26.

Post balance sheet events

The Company has no post balance sheet events to report.

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.

Directors' report (continued)

Annual General Meeting ('AGM')

The Company's AGM is currently scheduled to take place at 2.30pm on Wednesday 18 November 2020. In view of the ongoing restrictions on public gatherings, the Board invites shareholders to attend the AGM via webinar. Shareholders are strongly encouraged to submit their proxy forms ahead of the proxy-voting deadline at 2.30pm on 16 November 2020 to ensure their vote counts, as there can be no live voting. The statutory business of the AGM will be conducted on a poll, counting the Directors in the quorum, and the Chairman will hold the proxy votes. The Fund Manager will present his review of the year and thoughts on the future during the webinar, and will be pleased to answer shareholder questions, as will the Board.

The Board commits to holding physical meetings in future when restrictions are not in place and these can be held safely; however in case of any further extraordinary crises such as the COVID-19 lockdown, the Company is putting a proposed amendment to the Company's articles of association to shareholders to enable a combination of virtual and physical shareholder meetings to be held in the future.

Instructions on joining the meeting and details of resolutions to be put to the AGM are included in the Notice of Meeting sent to shareholders with this Annual Report and are on the Company's website at **www.hendersoneurotrust.com**. If shareholders would like to submit any questions in advance of the AGM, they are welcome to send these to the Corporate Secretary at **itsecretariat@janushenderson.com**.

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 or her knowledge and belief, there is no information relevant to the preparation of the Annual Report of which the Company's Auditor is unaware and he or she 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 Auditor is aware of that information.

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.

Other information

Information on recommended dividends, future developments and financial risks are detailed in the Strategic Report.

By order of the Board

For and on behalf of
Henderson Secretarial Services Limited
Corporate Secretary
1 October 2020

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, 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 Company's Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' 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 net return 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;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Director's report, a strategic report and a Director's remuneration report which comply with the requirements of the Companies Act 2006.

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 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 position and performance, business model and strategy.

Statement under Disclosure Guidance and Transparency Rule 4.1.12

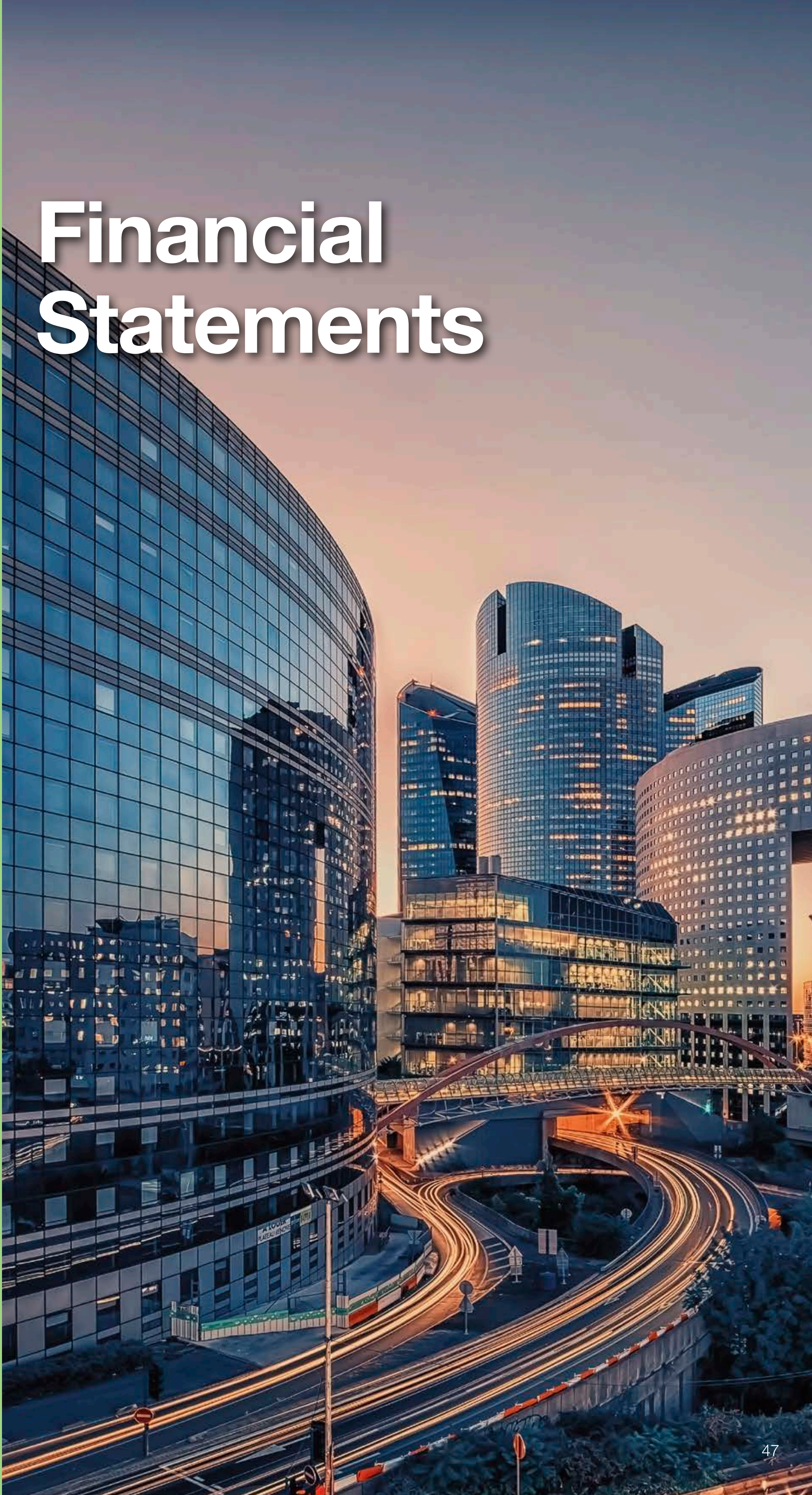
Each of the Directors, who are listed on page 29, confirms that, to the best of his or her knowledge:

- the Company's Financial Statements, which have been prepared in accordance with UK Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report and Financial Statements include 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

Nicola Ralston
Chairman
1 October 2020

Financial Statements



Independent Auditor's Report to the Members of Henderson EuroTrust plc

Opinion

We have audited the financial statements of Henderson EuroTrust plc (the 'Company') for the year ended 31 July 2020 which comprise the Income Statement, Statement of Changes in Equity, Statement of Financial Position and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the Company's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independent Auditor's Report to the Members of Henderson EuroTrust plc (continued)

Key audit matters

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

Key audit matter	How we addressed the key audit matter in the audit
Valuation and ownership of investments: (Note 1(c) page 56 and Note 11 on page 61): We consider the valuation and ownership of investments to be the most significant audit area as investments represent the most significant balance in the financial statements and underpins the principal activity of the entity. We also consider the valuation of investments with respect to realised and unrealised gains/losses to be a significant area of focus as the reported performance of the portfolio is a key area of interest for the users of the financial statements.	We responded to this matter by testing the valuation and ownership of 100% of the portfolio of quoted investments. We performed the following procedures: • Confirmed the year-end bid price used by agreeing to externally quoted prices and for a sample of investments, assessed if there were contra indicators, such as liquidity considerations, to suggest that bid price is not the most appropriate indication of fair value. • Obtained direct confirmation from the custodian regarding the existence of all investments held at the balance sheet date. We also considered the completeness, accuracy and clarity of investment-related disclosures against the requirements of relevant accounting standards. For unrealised gains/losses, we tested the valuation of the portfolio at the year-end as above, together with testing the reconciliation of opening and closing investments by agreeing a sample of additions and disposals to supporting documentation. For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and the custodian's transaction report and re-performed the calculation of a sample of realised gains/losses. **Key observations:** Based on our procedures performed we did not identify any material exceptions with regards to valuation or ownership of investments.
Revenue recognition: (Note 1(e) page 57 and Notes 3 and 4 on page 59): Income arises from dividends and is a key factor in demonstrating the performance of the portfolio. Judgement is required, by management, in determining the allocation of income to revenue or capital.	We responded to this matter by utilising data analytics to test 100% of the portfolio. We derived an independent expectation of income based on the investment holding and distributions per independent sources. We also cross checked the portfolio against corporate actions and special dividends and challenged if these had been appropriately accounted for as income or capital. We analysed the whole population of dividend receipts to identify any items for further discussion that could indicate a capital distribution, for example where a dividend represents a particularly high yield. We traced a sample of recorded dividend income receipts to bank statements. **Key observations:** Based on our procedures performed we did not identify any material exceptions concerning the appropriateness of revenue recognition.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when

Independent Auditor's Report to the Members of Henderson EuroTrust plc (continued)

evaluating their effect on the Financial Statements. The application of these key considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality (1% of net assets)	Assessing whether the financial statements as a whole present a true and fair view.	• The value of net investments • The level of judgement inherent in the valuation • The range of reasonable alternative valuations	£2,950,000
Performance materiality (75% of materiality)	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	• Financial statement materiality • Risk and control environment	£2,210,000

We also determined that for items impacting revenue return, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items to be £530,000 based on 10% of revenue return before tax. We further applied a performance materiality level of 75% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £26,000, 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 audit approach was developed by obtaining an understanding of the Company's activities and the overall control environment. Based on this understanding, we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Capability of the audit to detect irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to the Companies Act 2006, the UK Listing rules, the Disclosure Guidance and Transparency rules, FRS 102 accounting standard, VAT and other taxes.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We considered compliance with this framework through discussions with the Audit and Risk Committee and performed audit procedures on these areas as considered necessary. Our procedures involved enquiry with the Investment Manager, Administrator and the board, review of the reporting to the directors with respect to compliance with laws and regulation, review of board meeting minutes and review of legal correspondence.

There are inherent limitations in an audit of financial statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Independent Auditor's Report to the Members of Henderson EuroTrust plc (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the director's report.

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

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

Independent Auditor's Report to the Members of Henderson EuroTrust plc (continued)

Responsibilities of directors

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

Following the recommendation of the Audit and Risk Committee, we were appointed by board at the AGM on 13 November 2019 to audit the financial statements for the year ended 31 July 2020. The period of total uninterrupted engagement is one year, covering the year ended 31 July 2020.

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

Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of our report

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

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
1 October 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

Note		Year ended 31 July 2020 Revenue return £'000	Year ended 31 July 2020 Capital return £'000	Year ended 31 July 2020 Total return £'000	Year ended 31 July 2019 Revenue return £'000	Year ended 31 July 2019 Capital return £'000	Year ended 31 July 2019 Total return £'000
2	Gains on investments held at fair value through profit or loss	–	24,463	24,463	–	11,687	11,687
3	Investment income	6,146	–	6,146	7,830	–	7,830
4	Other income	3	–	3	10	–	10
	Gross revenue and capital gains	**6,149**	**24,463**	**30,612**	**7,840**	**11,687**	**19,527**
5	Management fee	(357)	(1,428)	(1,785)	(329)	(1,318)	(1,647)
6	Other administrative expenses	(482)	–	(482)	(468)	–	(468)
	Net return before finance costs and taxation	**5,310**	**23,035**	**28,345**	**7,043**	**10,369**	**17,412**
7	Finance costs	(26)	(102)	(128)	(7)	(28)	(35)
	Net return before taxation	**5,284**	**22,933**	**28,217**	**7,036**	**10,341**	**17,377**
8	Taxation on net return	(625)	–	(625)	(904)	–	(904)
	Net return after taxation	**4,659**	**22,933**	**27,592**	**6,132**	**10,341**	**16,473**
9	Return per ordinary share – basic and diluted	22.0p	108.2p	130.2p	29.0p	48.8p	77.8p

The total return column of this statement represents the Income Statement of the Company.

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

The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the AIC.

The Company had no recognised gains or losses other than those disclosed in the Income Statement.

The notes on pages 56 to 69 form part of these financial statements

Statement of Changes in Equity

Note	**Year ended 31 July 2020**	**Called up share capital £'000**	**Share premium account £'000**	**Capital redemption reserve £'000**	**Capital reserves £'000**	**Revenue reserve £'000**	**Total shareholders' funds £'000**
	At 1 August 2019	1,060	41,032	263	223,402	8,372	274,129
	Net return after taxation	–	–	–	22,933	4,659	27,592
10	Final dividend paid in respect of the year ended 31 July 2019 (paid 20 November 2019)	–	–	–	–	(4,873)	(4,873)
10	Interim dividend paid in respect of the year ended 31 July 2020 (paid 24 April 2020)	–	–	–	–	(1,695)	(1,695)
	At 31 July 2020	**1,060**	**41,032**	**263**	**246,335**	**6,463**	**295,153**

Note	Year ended 31 July 2019	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total shareholders' funds £'000
	At 1 August 2018	1,060	41,032	263	213,061	8,700	264,116
	Net return after taxation	–	–	–	10,341	6,132	16,473
10	Final dividend paid in respect of the year ended 31 July 2018 (paid 21 November 2018)	–	–	–	–	(4,767)	(4,767)
10	Interim dividend paid in respect of the year ended 31 July 2019 (paid 26 April 2019)	–	–	–	–	(1,695)	(1,695)
10	Refund of unclaimed dividends over 12 years old	–	–	–	–	2	2
	At 31 July 2019	**1,060**	**41,032**	**263**	**223,402**	**8,372**	**274,129**

The notes on pages 56 to 69 form part of these financial statements

Statement of Financial Position

Note		As at 31 July 2020 £'000	As at 31 July 2019 £'000
	Fixed assets		
	Fixed asset investments held at fair value through profit or loss		
11	Listed at market value – overseas	304,724	275,693
	Current assets		
12	Debtors	6,546	1,639
	Cash and cash equivalents	465	1,775
		7,011	**3,414**
13	**Creditors: amounts falling due within one year**	(16,582)	(4,978)
	Net current liabilities	**(9,571)**	**(1,564)**
	Total assets less current liabilities	295,153	274,129
	Net assets	**295,153**	**274,129**
	Capital and reserves		
16	Called up share capital	1,060	1,060
17	Share premium account	41,032	41,032
	Capital redemption reserve	263	263
18	Capital reserves	246,335	223,402
	Revenue reserve	6,463	8,372
	Total shareholders' funds	**295,153**	**274,129**
14	Net asset value per ordinary share (basic and diluted)	1,393.2p	1,293.9p

The Financial Statements on pages 53 to 69 were approved and authorised for issue by the Board of Directors on 1 October 2020 and were signed on their behalf by:

Nicola Ralston
Chairman

The notes on pages 56 to 69 form part of these financial statements

Notes to the Financial Statements

1 Accounting policies

a) Basis of preparation

The Company is a registered investment company as defined in section 833 of the Companies Act 2006 and is incorporated in the United Kingdom. It operates in the United Kingdom and is registered at the address on page 76.

The Financial Statements have been prepared in accordance with the Companies Act 2006, FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (the 'SORP') issued in October 2019.

The principal accounting policies applied in the presentation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented. There have been no significant changes to the accounting policies compared to those set out in the Company's Annual Report for the year ended 31 July 2019.

As an investment company the Company has the option, which it has taken, not to present a cash flow statement. A cash flow statement is not required when an investment company meets all the following conditions: substantially all of the entity's investments are highly liquid, substantially all of the entity's investments are carried at market value, and the entity provides a statement of changes in equity. The Directors have assessed that the Company meets all of these conditions.

The Financial Statements have been prepared under the historical cost basis except for the measurement at fair value of investments. In applying FRS 102, financial instruments have been accounted for in accordance with Section 11 and 12 of the standard.

All of the Company's operations are of a continuing nature.

The preparation of the Company's Financial Statements on occasion requires the Directors to make judgements, estimates and assumptions that affect the reported amounts in the primary Financial Statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the current and future periods, depending on circumstance.

The Directors do not believe that any accounting judgements or estimates have been applied to this set of Financial Statements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

b) Going concern

The assets of the Company consist of securities that are primarily readily realisable and, accordingly, the Directors believe that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the Financial Statements. Having assessed these factors and the principal risks, as well as considering the additional risks related to COVID-19, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

c) Fixed asset investments held at fair value through profit or loss

All investments are designated upon initial recognition as held at fair value through profit or loss. Assets are de-recognised at the trade date of the disposal. Proceeds are measured at fair value, which are regarded as the proceeds of sale less any transaction costs. The fair value of the financial instruments is based on their quoted bid price at the Statement of Financial Position date, without deduction of the estimated future selling costs.

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 from investments held at fair value through profit or loss'. Transaction costs in relation to the purchase or sale of investments are also expensed within this line. All purchases and sales are accounted for on a trade date basis.

Unquoted investments are valued by the Directors using primary valuation techniques such as earnings multiples, recent transactions and net assets. All such valuations are reviewed by both Janus Henderson's UK & EMEA Fair Value Pricing Committee and by the Directors.

d) Capital gains and losses

Capital gains and losses arising on investments sold and investments held, together with exchange differences arising on the translation of foreign currency assets and liabilities, are recognised within the capital reserves.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

e) Income

Dividends receivable from equity shares are taken to revenue return on an ex-dividend basis except where, in the opinion of the Directors, the dividend is capital in nature in which case it is taken to the capital return and are included in gains/(losses) on investments. Bank deposit interest is taken to revenue return on an accruals basis.

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.

Where the Company enters into a commitment to underwrite an issue of securities in exchange for the receipt of commission, a derivative financial instrument is recognised initially at fair value. The derivative is re-measured subsequently at fair value, with the related gains and losses being reflected in the Income Statement. Net losses arising from these derivatives, where actual or expected loss from taking up the securities underwritten exceeds the commission income, are allocated to the capital return. Net gains are allocated to the revenue return.

f) Expenses and finance costs

All expenses are accounted for on an accruals basis. Finance costs, including any premiums payable 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. On the basis of the Board's expected long term split of returns in the form of capital gains and income of 80% and 20% respectively, the Company charges 80% of its finance costs and management fee to the capital return. All other expenses are charged to revenue return. All of these amounts are stated net of any tax relief and inclusive of any related irrecoverable value added tax.

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 tax rates that were applicable at the Statement of Financial Position date.

The tax effect of different items of expenditure is allocated between the capital return and revenue return using the Company's effective tax rate.

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 from the capital return column.

Deferred taxation is provided on all timing differences that have originated but not reversed by the Statement of Financial Position 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 Statement of Financial Position date. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

h) Foreign currency

The results and financial position of the Company are expressed in pounds Sterling, which is the functional currency and presentational currency.

The Company is required to determine functional currency, being the currency in which the Company predominantly operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined the functional currency to be Sterling.

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction. Monetary assets and liabilities and equity investments held at fair value through profit or loss denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in revenue return or capital return, depending on whether the gain or loss is of a revenue or capital nature.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

i) Cash and cash equivalents

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

j) 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 Statement of Changes in Equity.

k) Issue and repurchase of ordinary shares

The proceeds from the issue of new ordinary shares (including those relating to the sale of shares out of treasury) and the aggregate cost of repurchasing ordinary shares (including those to be held in treasury), including related stamp duty and transaction costs, is taken directly to equity and dealt with in the Statement of Changes in Equity. Share issues and 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.

l) Capital reserves

Called up share capital represents the nominal value of ordinary shares issued.

The share premium account represents the premium above nominal value received by the Company on issue of shares net of costs.

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

The capital redemption reserve represents the nominal value of ordinary shares that have been repurchased and cancelled.

Other capital reserves are split into two components, the capital reserve arising on investments sold and the capital reserve arising on revaluation of investments held. The following analyses what is accounted for in each of these components.

Capital reserve arising on investments sold

The following are accounted for in this reserve:

- expenses and finance costs charged to capital net of tax relief;
- gains and losses on the disposal of investments;
- realised foreign exchange differences of a capital nature; and
- costs of repurchasing ordinary share capital.

Capital reserve arising on investments held

The following are accounted for in this reserve:

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

m) Distributable reserves

The Company's capital reserve arising on investments sold and revenue reserve may be distributed by way of a dividend.

2 Gains on investments held at fair value through profit or loss

	2020 £'000	2019 £'000
Gains on sale of investments based on historical cost[1]	18,195	9,774
Less: Revaluation gains recognised in previous years	(24,612)	(19,857)
Losses on investments sold in the year based on carrying value at previous statement of financial position date	**(6,417)**	**(10,083)**
Revaluation of investments held at 31 July	31,612	22,210
Exchange losses[2]	(732)	(440)
	24,463	**11,687**

1 Includes special capital dividends of £418,000

2 Includes exchange losses of £828,000 on bank loans

Notes to the Financial Statements (continued)

3 Investment income

	2020 £'000	2019 £'000
Overseas dividend income	6,146	7,830
	6,146	**7,830**

4 Other income

	2020 £'000	2019 £'000
Interest received	3	10
	3	**10**

5 Management fees

	2020			2019		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Management fee	357	1,428	1,785	329	1,318	1,647

A summary of the terms of the management agreement is given in the Strategic Report on pages 19 and 20.

6 Other administrative expenses

	2020 £'000	2019 £'000
Directors' fees and taxable benefits (see the Directors' Remuneration Report on page 43)	135	118
Auditor's remuneration – for statutory audit services	30	34
Bank charges	47	41
Loan – including arrangement fees, non utilisation fees and legal fees	44	51
Legal and professional fees	22	31
Marketing fees payable to the Manager	67	55
Printing and postage	11	13
Stock exchange listing	23	22
AIC fees	19	19
Registrar's fees	15	15
Depositary fees	43	40
Other expenses	26	29
	482	**468**

All of the expenses above include VAT, where applicable.

The auditor's remuneration net of VAT for the year is £24,000.

All transactions with Directors are disclosed in the Directors' Remuneration Report and are related party transactions.

7 Finance costs

	2020			2019		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Loan interest	24	95	119	7	28	35
Overdraft interest	2	7	9	–	–	–
	26	**102**	**128**	**7**	**28**	**35**

Notes to the Financial Statements (continued)

8 Taxation on net return

a) Analysis of the charge for the year

	2020 Revenue return £'000	2020 Capital return £'000	2020 Total return £'000	2019 Revenue return £'000	2019 Capital return £'000	2019 Total return £'000
Foreign withholding taxes	1,131	–	1,131	1,456	–	1,456
Overseas tax reclaimable	(506)	–	(506)	(552)	–	(552)
Total tax charge for the year (see Note 8 b)	**625**	**–**	**625**	**904**	**–**	**904**

The Company's profit for the accounting year is taxed at an effective rate of 19% (2019: 19%)

b) Factors affecting the tax charge for the year

	2020 Revenue return £'000	2020 Capital return £'000	2020 Total return £'000	2019 Revenue return £'000	2019 Capital return £'000	2019 Total return £'000
Net return before taxation	**5,284**	**22,933**	**28,217**	**7,036**	**10,341**	**17,377**
Corporation tax at 19% (2019: 19%)	1,004	4,357	5,361	1,337	1,965	3,302
Effects of:						
Non-taxable gains less losses on investments held at fair value through profit or loss	–	(4,648)	(4,648)	–	(2,221)	(2,221)
Non-taxable dividends	(1,168)	–	(1,168)	(1,488)	–	(1,488)
Overseas tax	625	–	625	904	–	904
Excess management expenses	164	291	455	151	256	407
Total tax charge	**625**	**–**	**625**	**904**	**–**	**904**

c) Deferred taxation

No provision for deferred taxation has been made in the current or prior accounting year. The Company has not provided for deferred tax on capital gains or losses arising on the revaluation and disposal of investments as it is exempt from tax on these items because of its investment trust status.

The Company has not recognised a deferred tax asset totalling £4,225,000 (2019: £3,373,000) based on a prospective corporation tax rate of 19% (2019: 19%). The deferred tax asset arises as a result of having unutilised management expenses and unutilised non-trade loan relationship deficits. These expenses will only be utilised, to any material extent, if the Company has profits chargeable to corporation tax in the future because changes are made either to the tax treatment of the capital gains made by investment trusts or to the Company's investment profile which require them to be used.

9 Return per ordinary share – basic and diluted

The total return per ordinary share is based on the net return attributable to the ordinary shares of £27,592,000 (2019: £16,473,000) and on 21,185,541 ordinary shares (2019: 21,185,541), being the weighted average number of shares in issue during the year. The total return can be further analysed as follows:

	2020 £'000	2019 £'000
Revenue return	4,659	6,132
Capital return	22,933	10,341
Total return	**27,592**	**16,473**
Weighted average number of ordinary shares	**21,185,541**	**21,185,541**

	2020 Pence	2019 Pence
Revenue return per ordinary share	22.0	29.0
Capital return per ordinary share	108.2	48.8
Total return per ordinary share	**130.2**	**77.8**

The Company has no securities in issue that could dilute the return per ordinary share. Therefore the basic and diluted return per ordinary share are the same.

Notes to the Financial Statements (continued)

10 Dividends on ordinary shares

	Register date	Payment date	2020 £'000	2019 £'000
Final dividend (22.5p) for the year ended 31 July 2018	19 October 2018	21 November 2018	–	4,767
Interim dividend (8.0p) for the year ended 31 July 2019	12 April 2019	26 April 2019	–	1,695
Final dividend (23.0p) for the year ended 31 July 2019	18 October 2019	20 November 2019	4,873	–
Interim dividend (8.0p) for the year ended 31 July 2020	14 April 2020	24 April 2020	1,695	–
Refund of unclaimed dividends over 12 years old			–	(2)
			6,568	**6,460**

The proposed final dividend of 17.0p per share for the year ended 31 July 2020 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these Financial Statements. The final dividend will be paid on 25 November 2020 to shareholders on the register of members at the close of business on 23 October 2020. The shares will be quoted ex-dividend on 22 October 2020.

All dividends have been paid or will be paid out of revenue profits and revenue reserves.

The total dividends payable in respect of the financial year which form the basis of section 1158 of the Corporation Tax Act 2010 are set out below:

	2020 £'000	2019 £'000
Revenue available for distribution by way of dividends for the year	4,659	6,132
Interim dividend for the year ended 31 July 2020 of 8.0p (2019: 8.0p) per ordinary share	(1,695)	(1,695)
Final dividend for the year ended 31 July 2019 of 23.0p (based on the 21,185,541 shares in issue at 1 August 2019)	–	(4,873)
Proposed final dividend for the year ended 31 July 2020 of 17.0p (based on 21,185,541 shares in issue at 1 August 2020)	(3,601)	–
Transfer (from)/to revenue reserve[1]	**(637)**	**(436)**

1 There is no undistributed revenue in the current year. £637,000 (2019: £436,000) will be paid from revenue reserves.

11 Fixed asset investments held at fair value through profit or loss

	2020 £'000	2019 £'000
Valuation at start of year	275,693	255,372
Investment holding gains at start of year	(51,881)	(49,528)
Cost of investments at start of year	**223,812**	**205,844**
Purchases at cost	203,108	112,860
Sales at cost	(181,077)	(94,892)
Cost of investments at end of year	**245,843**	**223,812**
Investment holding gains at end of year	58,881	51,881
Valuation at end of year	**304,724**	**275,693**

The Company received £199,272,000 (2019: £104,666,000) from investments sold in the year. The book cost of these investments when they were purchased was £181,077,000 (2019: £94,892,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Total transaction costs amounted to £282,000 (2019: £165,000) of which purchase transaction costs for the year ended 31 July 2020 were £215,000 (2019: £126,000) and comprise mainly of brokers' commission. Sale transaction costs for the year ended 31 July 2020 were £67,000 (2019: £39,000).

Notes to the Financial Statements (continued)

12 Debtors

	2020 £'000	2019 £'000
Withholding tax recoverable	1,472	1,631
Prepayments and accrued income	21	8
Sales for future settlement	5,053	–
	6,546	**1,639**

13 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank loans (see Notes 15.1.3 and 15.2)	13,522	3,641
Purchases for future settlement	2,294	604
Management fee	645	585
Loan interest payable	3	3
Other accruals	118	145
	16,582	**4,978**

14 Net asset value per ordinary share (basic and diluted)

The net asset value per ordinary share of 1,393.2p (2019: 1,293.9p) is based on the net assets attributable to ordinary shares of £295,153,000 (2019: £274,129,000) and on 21,185,541 (2019: 21,185,541) ordinary shares in issue at the year end. There were 20,000 shares held in Treasury at the year end (2019: 20,000).

The movements during the year of the assets attributable to the ordinary shares were as follows:

	2020 £'000	2019 £'000
Net assets attributable to the ordinary shares at start of year	274,129	264,116
Net return after taxation	27,592	16,473
Dividends paid on ordinary shares in the year	(6,568)	(6,462)
Refund of unclaimed dividends over 12 years old	–	2
Total net assets attributable to the ordinary shares at 31 July	**295,153**	**274,129**

15 Risk management policies and procedures

As an investment trust company the Company invests in equities and other investments for the long-term so as to secure its investment objectives as stated in the Strategic Report. In pursuing its investment objective, 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), liquidity risk and credit risk, and the Directors' approach to the management of these risks, are set out below. The Board of Directors and Janus 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;

Notes to the Financial Statements (continued)

15 Risk management policies and procedures (continued)

- the IT tools to which the Janus Henderson Risk, Compliance and Operations teams have access for independent monitoring and risk measurement purposes include:
  - Charles River Compliance module for investment restrictions monitoring;
  - Nasdaq Bwise operational risk database;
  - Riskmetrics for VaR statistics, stress-testing and back-testing;
  - UBS Delta, Style Research, Cognity and Barra for market risk measurement;
  - Bloomberg for market data and price-checking; and
  - HiPortfolio for portfolio holdings and valuations.

These are supplemented by in-house developments in the Derivatives Risk and Compliance database.

The Board determines the objectives, policies and processes for managing the risks, and these are set out below under the relevant risk categories. The policies for the management of risk have not changed from the previous accounting year.

The Company has a spread of investments which by their nature are lower risk than placing the entire amount of the Company's assets in solely one investment. By their nature, equity investments can be higher risk than some other investments but the longer term return can be positive. The performance of equities has been and is likely to continue to be volatile over the shorter term.

15.1 Market risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. Market risk comprises market price risk (see Note 15.1.1), currency risk (see Note 15.1.2) and interest rate risk (see Note 15.1.3). Janus Henderson assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

15.1.1 Market price risk

Market price risk (changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of quoted and unquoted investments. The Company may use, and has from time to time used, derivatives to manage market price risk.

Management of the risk

The Board of Directors manages the risks inherent in the investment portfolio by ensuring full and timely reporting of relevant information from Janus Henderson. Investment performance is reviewed at each Board meeting. The Board monitors the Fund Manager's compliance with the Company's objectives, and is directly responsible for investment strategy and asset allocation.

The Company's exposure to changes in market prices at 31 July 2020 on its investments held at fair value through profit or loss was £304,724,000 (2019: £275,693,000).

Concentration of exposure to market price risks

An analysis of the Company's investment portfolio is shown on page 14. It is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year, and the net assets, to an increase or decrease of 20% (2019: 20%) in the fair values of the Company's equities. This level of change is considered to be possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at each Statement of Financial Position date, with all other variables held constant.

	2020		2019	
	Increase in fair value £'000	**Decrease in fair value £'000**	Increase in fair value £'000	Decrease in fair value £'000
Income Statement – net return after taxation				
Revenue (loss)/return	(67)	79	(72)	72
Capital return/(loss)	60,677	(60,628)	54,853	(54,853)
Total return after tax for the year	**60,610**	**(60,549)**	**54,781**	**(54,781)**
Impact on net assets	**60,610**	**(60,549)**	**54,781**	**(54,781)**

Notes to the Financial Statements (continued)

15 Risk management policies and procedures (continued)

15.1.2 Currency risk

The majority of the Company's assets, liabilities and income are denominated in currencies other than Sterling (the Company's functional currency and presentational currency). As a result, movements in exchange rates may affect the Sterling value of those items.

Management of the risk

Janus Henderson monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board at each Board meeting. Janus Henderson measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and total return of a movement in the exchange rates to which the Company's assets, liabilities, income and expenses are exposed.

Foreign currency borrowings have the effect of reducing the Company's exposure to future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. These borrowings are limited to 30% of the Consolidated Gross Borrowings expressed as a percentage of the Investment Portfolio Value.

Investment income denominated in foreign currencies is converted into Sterling on receipt.

The Company does not currently use financial instruments to mitigate currency exposure from portfolio assets denominated in currencies other than Sterling or from investment income in the year between the time that income is included in the Financial Statements and its receipt.

Foreign currency exposure

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

2020	Euro £'000	Swiss Franc £'000	Swedish Krona £'000	Danish Krone £'000	Norwegian Krone £'000	Total £'000
Creditors (amounts due to brokers, bank loans, interest payable)	(15,263)	–	(556)	–	–	(15,819)
Debtors (amounts due from brokers, withholding tax recoverable)	5,681	520	–	181	143	6,525
Total foreign currency exposure on net monetary items	**(9,582)**	**520**	**(556)**	**181**	**143**	**(9,294)**
Investments at fair value through profit or loss	221,717	51,962	12,101	18,944	–	304,724
Total net foreign currency exposures	**212,135**	**52,482**	**11,545**	**19,125**	**143**	**295,430**

2019	Euro £'000	Swiss Franc £'000	Swedish Krona £'000	Danish Krone £'000	Norwegian Krone £'000	Total £'000
Creditors (amounts due to brokers, bank loans, interest payable)	(4,248)	–	–	–	–	(4,248)
Debtors (withholding tax recoverable)	506	848	–	139	138	1,631
Total foreign currency exposure on net monetary items	**(3,742)**	**848**	**–**	**139**	**138**	**(2,617)**
Investments at fair value through profit or loss	190,666	49,573	10,844	17,014	7,596	275,693
Total net foreign currency exposures	**186,924**	**50,421**	**10,844**	**17,153**	**7,734**	**273,076**

The above amounts are not necessarily representative of the exposure to risk during each year, as levels of monetary foreign currency exposure may change significantly throughout the year.

Foreign currency sensitivity

The following table illustrates the sensitivity of the total profit after tax for the year and the net assets with regard to movements in the Company's foreign currency financial assets and financial liabilities caused by changes in the exchange rates for Sterling against each currency set out below.

It assumes a +/-10% change in exchange rates (2019: same).

These percentages are deemed reasonable based on the average market volatility in exchange rates in recent years. The sensitivity analysis is based on the Company's foreign currency financial assets and financial liabilities held at each Statement of Financial Position date.

Notes to the Financial Statements (continued)

15 Risk management policies and procedures (continued)

15.1.2 Currency risk (continued)

If Sterling had depreciated against the currencies shown the impact on the total return would have been as follows:

	2020 Danish Krone £'000	2020 Euro £'000	2020 Norwegian Krone £'000	2020 Swedish Krona £'000	2020 Swiss Franc £'000	2019 Danish Krone £'000	2019 Euro £'000	2019 Norwegian Krone £'000	2019 Swedish Krona £'000	2019 Swiss Franc £'000
Income Statement – net return after taxation										
Revenue return	26	345	28	6	112	25	469	29	12	133
Capital return	2,114	23,452	–	1,276	5,802	1,880	20,606	840	1,199	5,479
Change in total return after taxation for the year and shareholders' funds	**2,140**	**23,797**	**28**	**1,282**	**5,914**	**1,905**	**21,075**	**869**	**1,211**	**5,612**

If Sterling had appreciated against the currencies shown the impact on the total return would have been as follows:

	2020 Danish Krone £'000	2020 Euro £'000	2020 Norwegian Krone £'000	2020 Swedish Krona £'000	2020 Swiss Franc £'000	2019 Danish Krone £'000	2019 Euro £'000	2019 Norwegian Krone £'000	2019 Swedish Krona £'000	2019 Swiss Franc £'000
Income Statement – net return after taxation										
Revenue return	(22)	(279)	(23)	(6)	(91)	(20)	(383)	(24)	(11)	(109)
Capital return	(1,729)	(19,186)	–	(1,043)	(4,746)	(1,539)	(16,859)	(687)	(981)	(4,484)
Change in total return after taxation for the year and shareholders' funds	**(1,751)**	**(19,465)**	**(23)**	**(1,049)**	**(4,837)**	**(1,559)**	**(17,242)**	**(711)**	**(992)**	**(4,593)**

In the opinion of the Directors, the above sensitivity analyses are not necessarily representative of the year as a whole, since the level of exposure changes frequently as part of the currency risk management process used to meet the Company's objectives.

Notes to the Financial Statements (continued)

15 Risk management policies and procedures (continued)

15.1.3 Interest rate risk

Interest rate movements may affect the interest payable on the Company's variable rate borrowings.

Management of the risk

The majority of the Company's financial assets are non-interest bearing. As a result, the Company's financial assets are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when borrowing under the multi-currency loan facility.

Interest rate exposure

The exposure at 31 July of financial assets and financial liabilities to floating interest rates is shown below:

	2020 Total (within one year) £'000	2019 Total (within one year) £'000
Exposure to floating interest rates:		
Cash at bank	465	1,775
Creditors:		
Borrowings under the multi-currency loan facility	(13,522)	(3,641)
	(13,057)	**(1,866)**

Interest rate sensitivity

The Company is primarily exposed to interest rate risk through its multi-currency loan facility and cash at bank.

Loan sensitivity – Borrowings vary throughout the year as a result of the Board's borrowing policy. Borrowings at the year end were £13,522,000 (2019: £3,641,000) (Note 13) and, if that level of borrowings was maintained for a full year, then a 100 basis point change in LIBOR (up or down) would decrease or increase the total net return after taxation by approximately £135,000 (2019: £36,000).

Cash – Cash balances vary throughout the year. Cash balances at the year end were £465,000 (2019: £1,775,000) and, if that level of cash was maintained for a full year, a 100 basis points change in LIBOR (up or down) would increase or decrease total net return after taxation by approximately £5,000 (2019: £18,000).

15.2 Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Company has a multi-currency loan facility of £25 million (2019: £25 million) of which £13,522,000 (2019: £3,641,000) was drawn down at the year end and an overdraft facility with a sub custodian, the extent of which is determined by the custodian on a regular basis by reference to the value of the securities held by it on behalf of the Company.

The Board gives guidance to the Manager as to the maximum amounts of the Company's resources that should be invested in any one company. The policy is that the Company should generally remain fully invested and that short-term borrowings be used to manage short-term cash requirements.

Liquidity risk exposure

The contractual maturities of the financial liabilities at 31 July, based on the earliest date on which payment can be required were as follows:

	2020 Due within one month £'000	2019 Due within one month £'000
Bank loans (including accrued interest)	13,525	3,644
Other creditors and accruals	3,057	1,334
	16,582	**4,978**

Notes to the Financial Statements (continued)

15 Risk management policies and procedures (continued)

15.3 Credit risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

Management of the risk

Credit risk is managed as follows:

- investment transactions may be carried out with a large number of approved brokers, whose credit standard is reviewed periodically by Janus Henderson, and limits are set on the amount that may be due from any one broker.
- cash at bank is held only with banks considered to be creditworthy and is subject to continual review.

None of the Company's financial assets or liabilities is secured by collateral or other credit enhancements.

The Company has not been materially exposed to credit risk throughout the year.

15.4 Fair values of financial assets and financial liabilities

Financial assets and financial liabilities are either carried in the Statement of Financial Position at their fair value (investments) or the Statement of Financial Position amount is a reasonable approximation of fair value due to their short term to maturity (amounts due from brokers, dividend and interest receivable, amounts due to brokers, accruals, forward foreign exchange contracts, cash at bank and bank loans).

15.5 Fair value hierarchy disclosures

The table below analyses fair value measurements for investments held at fair value through profit or loss. These fair value measurements are categorised into different levels in the fair value hierarchy based on the valuation techniques used and are defined as follows under FRS 102:

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 as follows:

Financial assets at fair value through profit or loss at 31 July 2020	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Equity investments	304,724	–	–	304,724
Total	**304,724**	**–**	**–**	**304,724**

Financial assets at fair value through profit or loss at 31 July 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	275,693	–	–	275,693
Total	**275,693**	**–**	**–**	**275,693**

Level 1 – the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3 – inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

There have been no transfers during the year between any of the levels.

The holding in OW Bunker is included in Level 3 and is currently valued at £nil (2019: £nil).

The total carrying value of receivables, as stated in Note 12, is a reasonable approximation of their fair value as at the year end date. The total carrying value of financial liabilities, as disclosed in Note 13, is a reasonable approximation of their fair value at the year end date.

Notes to the Financial Statements (continued)

15 Risk management policies and procedures (continued)

15.6 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 through an appropriate balance of equity capital and debt.

The Company's capital as at 31 July 2020 comprised its equity share capital, reserves and bank loans that are shown in the Statement of Financial Position at a total of £308,675,000 (2019: £277,770,000).

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

- the need to buyback equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (the level of share price discount or premium);
- the demand for new issues of equity shares; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company is subject to additional externally imposed capital requirements:

- under the multi-currency loan facility total borrowings not to exceed 30% of the Consolidated Gross Borrowings expressed as a percentage of the Investment Portfolio Value (2019: 30% of adjusted net asset value) and the net asset value not to fall below £90,000,000 (2019: adjusted net asset value £90,000,000);
- 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 one of the two capital restriction tests imposed on investment companies by law.

These requirements are materially unchanged since last year.

16 Called up share capital

	Number of shares entitled to dividend	Total number of shares	Nominal value of shares £'000
Allotted and issued ordinary shares of 5p each at the end of the year ended 31 July 2019	21,185,541	21,205,541	1,060
At 31 July 2020	**21,185,541**	**21,205,541**	**1,060**

During the year the Company issued no shares (2019: none).

During the year the Company repurchased no shares (2019: none).

Shares held in treasury (2020: 20,000; 2019: 20,000) are not entitled to receive a dividend.

There is a single class of ordinary share. Accounting policy (m) on page 58 details the reserves that can be distributed as a dividend.

Since 31 July 2020, no shares have been repurchased or issued.

17 Share premium account

	2020 £'000	2019 £'000
At start of year	41,032	41,032
At end of year	**41,032**	**41,032**

Notes to the Financial Statements (continued)

18 Capital reserves

	Capital reserve arising on investments sold £'000	Capital reserve arising on investments held £'000	Capital reserves total £'000
At 1 August 2019	171,521	51,881	223,402
Transfer on disposal of assets	24,612	(24,612)	–
Net movement on investments held at fair value through profit or loss	(6,417)	31,612	25,195
Net movement on foreign exchange	(732)	–	(732)
Expenses and finance costs charged to capital	(1,530)	–	(1,530)
At 31 July 2020	**187,454**	**58,881**	**246,335**

	Capital reserve arising on investments sold £'000	Capital reserve arising on investments held £'000	Capital reserves total £'000
At 1 August 2018	163,533	49,528	213,061
Transfer on disposal of assets	19,857	(19,857)	–
Net movement on investments held at fair value through profit or loss	(10,083)	22,210	12,127
Net movement on foreign exchange	(440)	–	(440)
Expenses and finance costs charged to capital	(1,346)	–	(1,346)
At 31 July 2019	**171,521**	**51,881**	**223,402**

19 Transactions with the Manager and Related Parties

Under the terms of an agreement effective from 22 July 2014, the Company appointed a wholly owned subsidiary company of Janus Henderson Group plc ('Janus Henderson') to provide investment management, accounting, administrative and secretarial services. Janus Henderson has contracted with BNP Paribas Securities Services to provide accounting and administration services.

Details of the management fee arrangements for these services are given in the Strategic Report on page 20. The total of the management fees paid or payable under this agreement to Janus Henderson in respect of the year ended 31 July 2020 was £1,785,000 (2019: £1,647,000) of which £645,000 (per Note 13) was outstanding at 31 July 2020 (2019: £585,000). With effect from 1 January 2019, the performance fee arrangements were removed. No performance fee had been earned at the date on which the arrangements were removed.

Janus Henderson also provides sales and marketing services for which there is no separate charge.

In addition to the above, Janus Henderson facilitates marketing activities with third parties which are recharged by Janus Henderson to the Company. The total amount in respect of these third party marketing activities, including VAT paid or payable for these services, for the year ended 31 July 2020 amounted to £67,000 (2019: £55,000) of which £31,000 was outstanding at 31 July 2020 (2019: £50,000).

Details of fees paid to Directors are included in the Directors' Remuneration Report on page 43 and in Note 6 on page 59.

Additional information

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.

Alternative performance measures

A glossary of alternative performance measures can be found on pages 72 and 73.

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. The Company is in the AIC Europe Sector.

Benchmark

An index against which performance is compared. For the Company this is the FTSE World Europe (ex UK) Index.

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

As an AIF the Company is required to appoint a Depositary which has responsibility for overseeing the operations of the Company including safekeeping, cash monitoring and verification of ownership and valuation of the underlying holdings 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 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 Registrar 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 NAV and share price will be disclosed ex-dividend.

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

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

Alternative performance measures (unaudited)

The Company uses the following Alternative Performance Measures ('APMs') throughout the Annual Report, Financial Statements and Notes to the Financial Statements. The APMs are reconciled to the Financial Statements through the narrative below. The Board believes that each of the APMs, which are typically used within the investment trust sector, provide additional useful information to shareholders to help assess the Company's performance against its peer group.

Discount or premium

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.

	NAV per share Pence	Share price Pence	(Discount)/premium to NAV %
At 31 July 2020	**1,393.2**	**1,235.0**	**(11.4)**
At 31 July 2019	1,293.9	1,165.0	(10.0)

Gearing/(net cash)

Gearing means borrowing money to buy assets with the expectation that the return on investments bought will exceed the interest cost of the borrowings. The gearing percentage reflects the amount of borrowings the Company has used to invest in the market. If the amount calculated is negative, this is a 'net cash' position and no gearing. The Company's gearing is calculated as follows:

		2020	2019
Investments held at fair value through profit or loss (page 55) (£'000)	(A)	304,724	275,693
Net assets (page 55) (£'000)	(B)	295,153	274,129
Gearing/(Net Cash) (C = A / B – 1) x 100 (%)	(C)	3.2	0.6

NAV per ordinary share

The value of the Company's assets (i.e. investments (see Note 11) and cash held (see Statement of Financial Position)) less any liabilities (i.e. bank borrowings (see Note 13)) for which the Company is responsible divided by the number of shares in issue (see Note 16). The aggregate NAV is also referred to as total shareholders' funds in the Statement of Financial Position. The NAV per share is published daily and the year end NAV can be found on page 1 and further information is available on page 62 in Note 14 within the Notes to the Financial Statements.

Ongoing charges

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

	2020 £'000	2019 £'000
Management fee (Note 5)	1,785	1,647
Other administrative expenses (Note 6)	482	468
Less: non-recurring expenses	(63)	(77)
Ongoing charges	**2,204**	**2,038**
Average net assets[1]	**273,714**	**251,115**
Ongoing charges ratio (%)	**0.81**	**0.81**

1 Calculated using the average daily net asset value

The ongoing charges calculated above are different from ongoing costs provided in the Company's Key Information Document ('KID') which are calculated in line with the PRIIPs regulations. The ongoing costs in the KID include finance costs and look through to costs incurred by other investment trusts and funds the Company invests in.

Alternative performance measures (unaudited)

(continued)

Revenue earnings per share

The revenue earnings per share is the revenue return for the year (see Income Statement) divided by the weighted average number of ordinary shares in issue during the year (see Note 9 on page 60).

Total return

The return on the share price or NAV taking into account both the rise and fall of NAV/share price and dividends 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). Dividends paid and payable are set out in Note 10 on page 61.

	NAV	Share price
NAV/Share price per share at 31 July 2019 (pence)	1,293.9	1,165.0
NAV/Share price per share at 31 July 2020 (pence)	1,393.2	1,235.0
Change in the year (%)	7.7	6.0
Impact of dividends reinvested (%)	2.5	2.8
Total return for the year (%)	**10.4**	**9.0**

Dividend yield

The yield is the annual dividend expressed as a percentage of the year end share price.

		31 July 2020	31 July 2019
Annual dividend (pence)	(A)	25.0	31.0
Share price (pence)	(B)	1,235.0	1,165.0
Yield (C=A/B) (%)	(C)	2.0%	2.7%

General shareholder information

Alternative Investment Fund Managers Directive ('AIFMD') Disclosures

In accordance with the AIFMD, information in relation to the Company's leverage and remuneration of Henderson Investment Funds Limited, as the Company's Alternative Investment Fund Manager ('AIFM') is required to be made available to investors. These disclosures, including those on the AIFM's remuneration policy, are contained in a separate document called 'AIFMD Disclosure' which can be found on the Company's website **www.hendersoneurotrust.com**.

BACS

Dividends can be paid to shareholders 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 76) 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.

Common Reporting Standard ('CRS')

Tax legislation under The Organisation for Economic Co-operation and Development Common Reporting Standard for Automatic Exchange of Financial Account Information was introduced with effect from 1 January 2016. The legislation requires the Company to provide personal information to HMRC on certain investors who purchase shares in investment trusts. This information has to be provided annually to the local tax authority of the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

Equality Act 2010

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, 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 0370 702 0005. 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.

Foreign Account Tax Compliance ('FATCA')

FATCA is a United States federal law enacted in 2010 whose intent is to enforce the requirement for United States persons (including those living outside the USA) to file yearly reports on their non-USA financial accounts. Investment trusts need to monitor each year the trading volume and frequency of their shares and securities to assess whether they have financial accounts. The Company makes an annual assessment, before the FATCA return is due, to determine if the shares represent financial accounts and, where they do, identify and report USA reportable accounts to HMRC, as required.

General Data Protection Regulation ('GDPR')

GDPR came into force on 25 May 2018. A privacy statement can be found on the website **www.janushenderson.com**.

ISA

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

Non-mainstream pooled investments ('NMPI') status

The Company currently conducts its affairs so that its ordinary shares of 5p each can be recommended by IFAs to ordinary retail investors in accordance with the FCA's 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.

Packaged Retail and Insurance-based Investment Products ('PRIIPs') Regulation/Key Information Document ('KID')

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

General shareholder information (continued)

Performance details/share price information

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

The market price of the Company's ordinary shares is published daily in The Financial Times. The Financial Times also shows figures for the estimated NAV per share and the discount.

The market price of the Company's shares can also be found in the London Stock Exchange Daily Official List.

Shareholder details

Shareholders who hold their shares in certificated form can check their shareholding with the Registrar via **www.computershare.com**.

Please note that to gain access to your details on the Computershare site you will need the holder reference number shown on your share certificate.

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, Computershare Investor Services PLC, 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 76.

Corporate information

Registered office

201 Bishopsgate
London EC2M 3AE
Telephone: 020 7818 1818

Service providers

Alternative Investment Fund Manager

Henderson Investment Funds Limited
201 Bishopsgate
London EC2M 3AE

Corporate Secretary

Henderson Secretarial Services Limited
201 Bishopsgate
London EC2M 3AE
Telephone: 020 7818 1818
Email: support@janushenderson.com

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0370 707 1034

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Broker

JP Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Independent Auditor

BDO LLP
55 Baker Street
London W1U 7EU

Financial calendar

Annual results	announced October 2020
Ex-dividend date	22 October 2020
Dividend record date	23 October 2020
Annual General Meeting	18 November 2020
Final dividend payable on	25 November 2020
Half-year results	March 2021
Interim dividend payable	April 2021

Information sources

For more information about Henderson EuroTrust plc, visit the website at **www.hendersoneurotrust.com**.

HGi

HGi is a content platform provided by Janus Henderson that offers 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 Janus Henderson's investment expertise.

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

Follow Janus Henderson Investment Trusts on Twitter, YouTube and Facebook

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.

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 the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

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.

Henderson EuroTrust plc
Registered as an investment company in England and Wales with registration number 2718241.
Registered office: 201 Bishopsgate, London EC2M 3AE.

SEDOL/ISIN number: Ordinary Shares: 0419929/GB0004199294
London Stock Exchange (TIDM) Code: HNE
Global Intermediary Identification Number (GIIN): P560WP.99999.SL.826
Legal Entity Identifier (LEI): 213800DAFFNXRBWOEF12

Telephone: **0800 832 832**
Email: **support@janushenderson.com**

www.hendersoneurotrust.com

MANAGED BY Janus Henderson INVESTORS

aic The Association of Investment Companies

PREMIUM MAIN MARKET LONDON STOCK EXCHANGE

moneywise Investment Trust awards 2017 WINNER INVESTMENT TRUST GROUP OF THE YEAR Henderson Global Investors

aic Shareholder Communication Awards 2019 WINNER

aic Shareholder Communication Awards 2020 WINNER

FSC® www.fsc.org MIX Paper from responsible sources FSC® C022913

CARBON BALANCED PAPER WORLD LAND TRUST™

This report is printed on Revive 100 Silk cover board containing 100% recycled waste and Revive 50 Silk paper containing 50% recycled waste and 50% virgin fibre and manufactured at a mill certified with ISO 14001 environmental management standard. The pulp used in this product is bleached using an Elemental Chlorine Free process.

This product is made of material from well-managed FSC®– certified forests, recycled materials, and other controlled sources.

Designed and typeset by 2112 Communications, London.

Printed by Pureprint, Sussex

JHI9206/2020