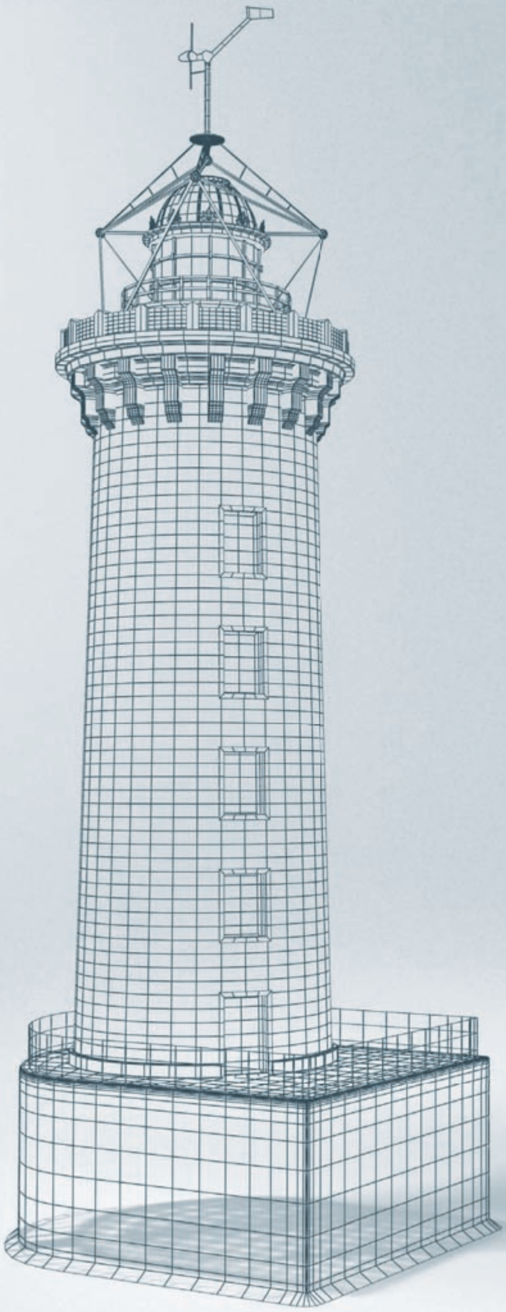
HENDERSON EUROTRUST PLC

Annual Report 2015



MANAGED BY
Henderson
GLOBAL INVESTORS

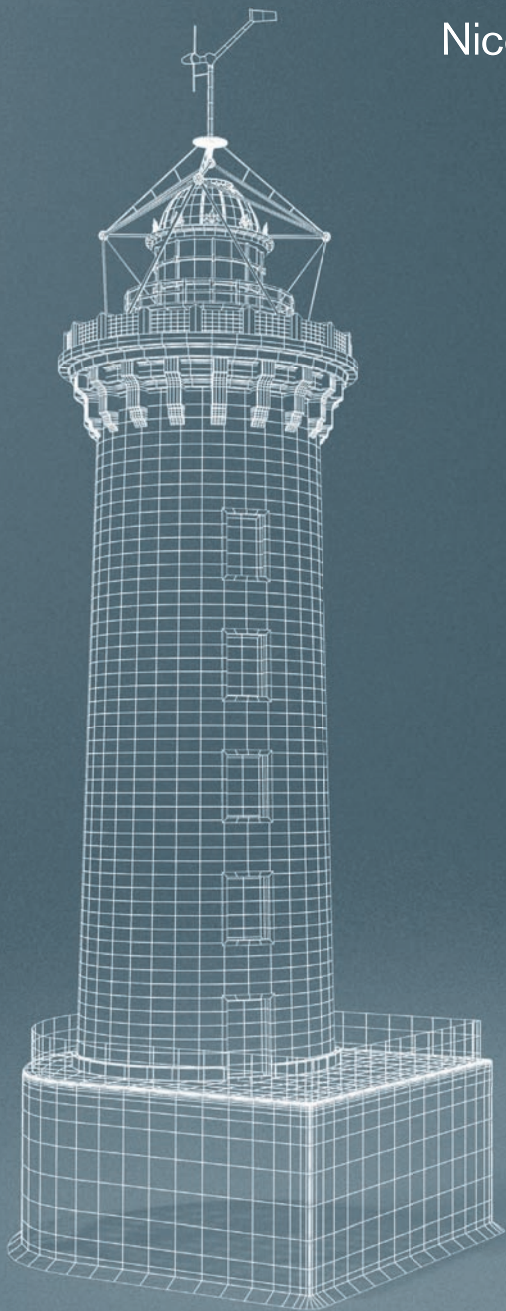
Contents

The image on the front cover is based on the Kéréon lighthouse which is situated between Île d'Ouessant and Pointe St Mathieu on the north west coast of France.

Strategic Report

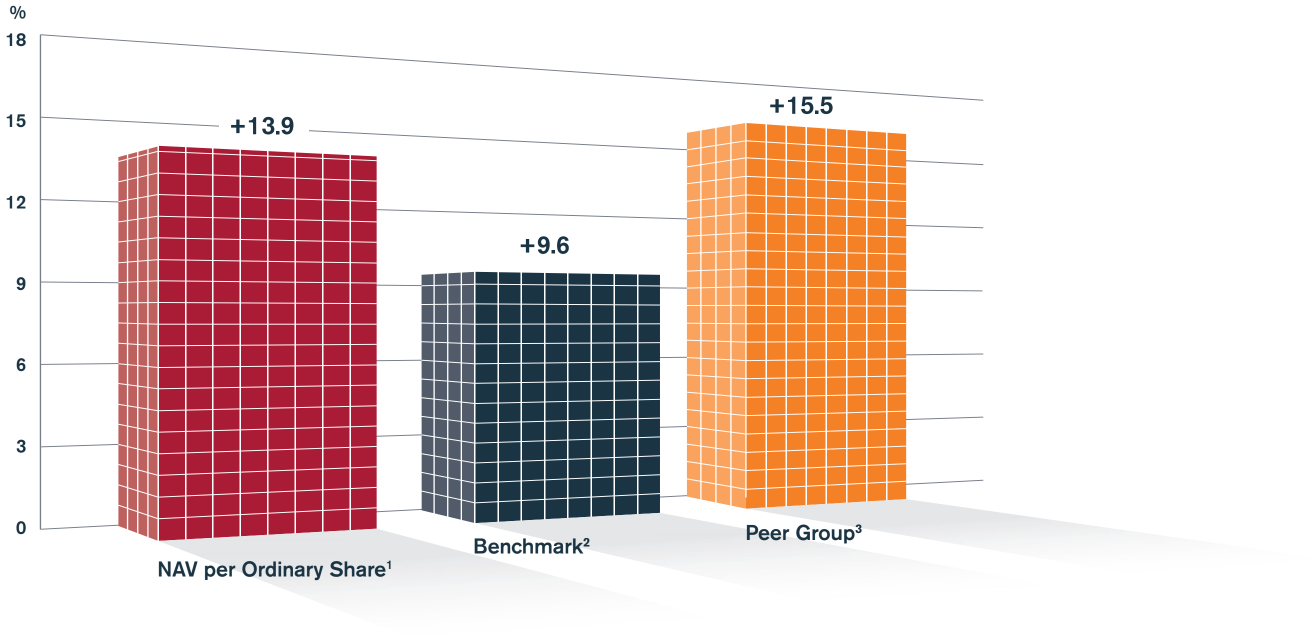
"I am delighted that strong investment performance and demand for the Company's shares has enabled us to issue new shares, for the first time in many years."

Nicola Ralston, Chairman

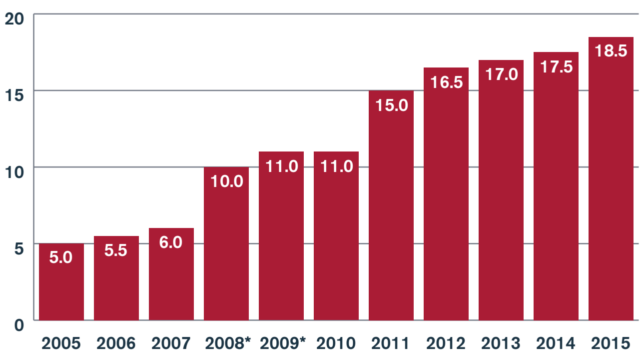


Strategic Report: Performance Highlights

Total return performance for year to 31 July 2015

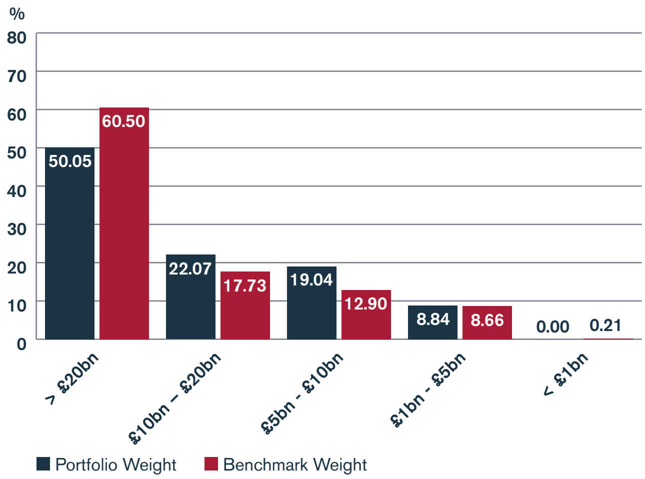


Historical dividend[4]

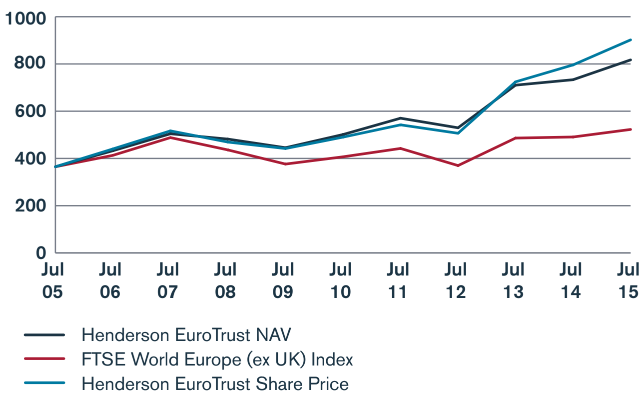


*Includes a special dividend of 2.0p

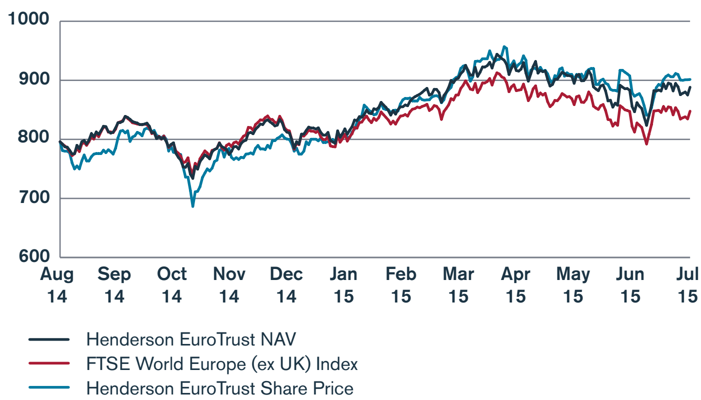
Market capitalisation of the portfolio at 31 July 2015[5]



Ten year NAV and share price performance versus the benchmark to 31 July 2015



NAV and share price performance versus the benchmark over the year to 31 July 2015[6]



Strategic Report: Performance Highlights (continued)

NAV per share at year end

2015 895.0p 2014 803.2p

Share price at year end

2015 901.5p 2014 796.0p

Dividend for year

2015 18.5p 2014 17.5p

Dividend yield[7]

2015 2.1% 2014 2.2%

Ongoing charge for year[8]

2015 0.84% 2014 0.82%

Gearing at year end

2015 £6.5m (3.5%) 2014 £1.4m (0.9%)

Number of investments

2015 52 2014 51

Premium/(Discount)[9]

2015 0.7% 2014 (0.9)%

1 Net asset value per share total return (including dividends reinvested and excluding transaction costs). This is based on preliminary estimates made by the AIC, which is the industry recognised source for performance data, and does not reflect any subsequent change in the year end NAVs reflected in this report
2 FTSE World Europe (ex UK) Index
3 AIC Europe Sector (Peer Group)
4 Ten year historical dividends
5 Market capitalisation weightings of the portfolio and the benchmark
6 Graph shows the Company's net asset value total return and share price total return using the mid market price, compared to the total return of the benchmark over the year to 31 July 2015
7 Based on the share price at the year end
8 Ongoing charges exclude the performance fee. The charge including the performance fee is 1.35% (2014: 0.87%)
9 Calculated using published daily NAVs including current year revenue
Sources: Morningstar for the AIC, Henderson, Datastream
A glossary of terms is included on page 16 and 17

Strategic Report: Business Model

Strategy

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

Investment objective

The objective of Henderson EuroTrust plc ("the Company") is to invest predominantly 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 aims to achieve a superior total return from a portfolio of high quality European investments.

Management

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

The Company 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 in accordance with an agreement which was effective from 22 July 2014 and can be terminated on six months' notice. Both entities are authorised and regulated by the Financial Conduct Authority. References to Henderson within this report refer to the services provided by both entities.

The investment management agreement with Henderson is reviewed annually.

Fees

The base management fee is calculated at the rate of 0.65% per annum of net assets payable quarterly in arrears, with an additional annual performance related element. The performance fee is paid to Henderson in respect of the calculation period at the rate of 15% of any outperformance of the NAV total return per ordinary share in excess of the total return over the same period of the Company's benchmark (FTSE World Europe (ex UK) Index). Only performance in excess of a 1% hurdle is remunerated.

Any underperformance is carried forward and must be made up before any further performance fee can be paid. Any excess performance will be carried forward and can be set against underperformance but not used to earn or enhance a performance fee payment. The cap on total fees (the aggregate of performance fees and management fees) is the lower of 1.30% of total assets and 4.99% of net assets.

Fund Manager

The portfolio is managed by Tim Stevenson. Tim has specialised in European investment since 1982 and joined Henderson in 1986. Tim was a director of the Company from 1992 until November 2010, and became Fund Manager in 1994.

Henderson and its subsidiaries also provide accounting, company secretarial and general administrative services. Some of the administration and accounting services are carried out, on behalf of Henderson, by BNP Paribas Securities Services.

Melissa Conway, ACIS acts as Company Secretary on behalf of the Corporate Secretary, Henderson Secretarial Services Limited.

Investment policy

Asset Allocation

Companies are reviewed carefully to assess the quality of management, balance sheet strength and growth prospects. The Fund Manager meets regularly with those companies. As an investment trust, the Company will not invest more than 15% of gross assets in any one company or group of companies; however, subject to this, the Board has not set any minimum or maximum limits on the number of investments in the portfolio or imposed any country or sector limits within the European context, although the Company does not invest in UK companies.

Diversification

Typically there are around 50 holdings in the portfolio, reflecting a diversified mix of business and geographical sectors, but the Company will not hold more than 10% of the share capital of any company. Unquoted investments may be made, although in aggregate these may not amount to more than 10% of the portfolio, and the Company has none at the present time. A full list of the investments in the portfolio at 31 July 2015 is shown on page 8. The largest holding at the year end was in Fresenius (4.1%). The top ten holdings amounted to 33.5% of the total investments.

Gearing

The Company's Articles 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.

General

In accordance with the Listing Rules of the UKLA, the Company will not invest more than 15% (at the time the investment is made) of its total assets in other UK listed investment companies.

In practice the Company has never had any UK based investments or investments in other pooled vehicles and there is currently no intention to change that policy.

Strategic Report: Chairman's Statement

The Chairman of the Company, Nicola Ralston, reports on the year to 31 July 2015

Performance

I am very pleased to be able to report another year of positive returns to shareholders, and outperformance of the Company's benchmark by our Fund Manager. The Company's net asset value ("NAV") rose by 13.9% on a total return basis, compared to a rise in the benchmark index (the FTSE World Europe (ex UK) Index) of 9.6% over the year in sterling terms. This is the eighth consecutive year of outperformance against the benchmark, an extremely impressive track record, especially given that the NAV is calculated net of all fees.

Dividends

Your Board is cognisant of the importance of sustainable dividend growth in the current low yield environment and I am pleased to report increases in both the interim and final dividend for the year under review. At the half year the Board declared an interim dividend of 5.5p, up from 5.0p in the prior period, and is proposing a final dividend of 13.0p making total dividends for the year of 18.5p, a 5.7% increase year on year.

Charges and fees

As a consequence of the strong performance achieved by our Investment Manager, a performance fee of £878,000 for the financial year has been earned. Performance fees can only be earned if the net asset value total return over the year exceeds the benchmark by more than the hurdle of 1%. Your Board continues to believe that the performance fee arrangement is in the best interests of shareholders. The Ongoing Charge for the year under review, being the management fee and other non-interest expenses as a percentage of shareholders' funds, was 0.84% (2014: 0.82%) excluding the performance fee, and 1.35% (2014: 0.87%) including the performance fee.

Share Capital

I am delighted to report that, for the first time in many years, your Company issued 365,000 ordinary shares to take advantage of demand in the market. The new shares were issued at a sufficient premium to the income inclusive NAV to ensure that the issues were NAV enhancing for existing shareholders. Subsequent to the year end, the Company has been granted a blocklisting which will reduce the cost associated with issuing further new shares thereby making it easier to meet natural demand as it occurs. The Company's share price has traded close to NAV for most of the year under review, either at a modest discount or small premium; at the year end, the shares were trading at a very small premium to NAV of 0.7%.

The opportunity to issue shares is, I believe, an important step for the Company. Investment companies have many advantages over open-ended funds, most notably a greater ability to implement a long term investment strategy, and the ability to add value through gearing. However, some investors are deterred by a lack of liquidity in investment trust shares and issuing shares will improve liquidity. Furthermore, issuing new shares means the fixed costs of running your Company will be spread over a wider shareholder base which over time will aid performance.

Gearing

Day to day decisions on the level of gearing are taken by Tim Stevenson, the Company's Fund Manager, within the boundaries agreed by the Board. He has maintained a modest level of gearing during most of the year under review; the average gearing during the year being 3.9% and 3.5% at the end of the year. This has had a positive impact on returns. During the year, having considered alternative providers, we renewed the Company's £15 million multi-currency loan facility with the existing lender on improved terms. Shareholders will be aware that some investment companies have chosen to take advantage of terms for long term fixed rate debt at all-time low levels, on the basis that, in the long run, equities will surely earn a return above the cost of borrowing. Set against such arguments are, however, the fact that shorter term borrowing has a materially lower current cost and we may yet be able to benefit from exceptionally attractive short term rates for some time to come. Furthermore, our current arrangements have the benefit of almost complete flexibility, an important factor given the length and extent of the bull market since the 2008 Financial Crisis. We keep an open mind on the structure of the Company's debt, but for the time being remain unconvinced that fixed long term borrowings are in the interests of shareholders.

Investment approach and outlook

With the marked slowdown in China in the summer of 2015, it now looks as though short interest rates will remain lower for longer in the major economies. This is particularly the case in Europe where, earlier in the year, the European Central Bank made a commitment to buy government bonds (known as "Quantitative Easing") in an attempt to boost the rate of inflation towards a 2% level. In this uncertain environment equities, including European equities, have been weak in recent months. Yet European valuations are still reasonable in a historical context; and, boosted to some extent by the weaker currency, earnings growth remains strong. This is particularly true for your portfolio, which has a bias towards companies growing faster than the market average. Although an investment in equities is by its nature volatile, in an environment where returns on cash may well remain negligible, we continue to believe in the attractions of investing in a portfolio of high-quality investments capable of producing both capital growth and rising income over the longer term.

Nicola Ralston
Chairman
7 October 2015

Strategic Report: Portfolio Information

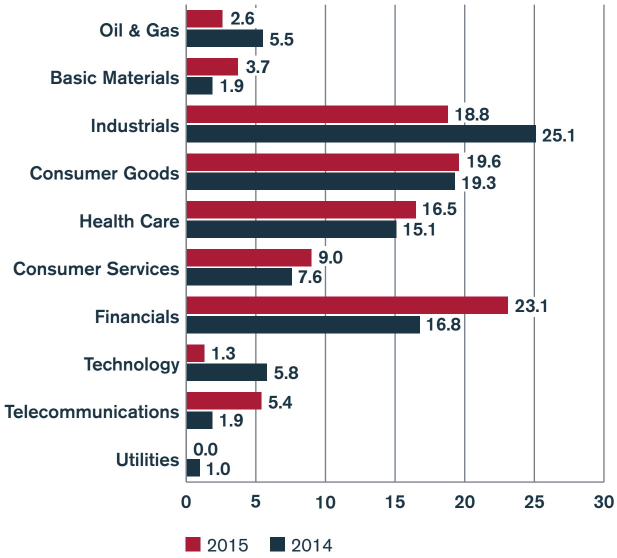
Ten largest investments at 31 July 2015

Ranking 2015	Ranking 2014	Company	Principal activities	Country	Valuation 2015 £'000	% of portfolio
1	4	**Fresenius**	The Fresenius Group consists of four business segments that are responsible for their own business operations worldwide: Fresenius Medical Care (see below), Fresenius Kabi (nutraceuticals), Fresenius Helios (hospital care) and Fresenius Vamed (hospital construction). **www.fresenius.com**	Germany	7,874	4.09
2	1	**Deutsche Post**	Deutsche Post provides businesses and consumers with express, logistics and mail services globally. **www.deutschepost.de**	Germany	7,384	3.84
3	5	**Novartis**	Pharmaceuticals group Novartis operates in a number of different areas including speciality medicines, generic pharmaceuticals, vaccines, consumer health and eye care. **www.novartis.com**	Switzerland	7,122	3.70
4	11	**Groupe Eurotunnel**	Groupe Eurotunnel is the holder of the Channel Tunnel Concession, its primary activity is the cross-Channel Fixed Link. Le Shuttle is the fastest, most environmentally-friendly and reliable way of crossing the Short Straits. **www.eurotunnelgroup.com**	France	6,717	3.49
5	7	**Sodexo**	Sodexo offers food and facilities management services. The company also designs employee benefit and incentive programmes. **www.sodexo.com**	France	6,591	3.43
6	–	**Credit Agricole**	Credit Agricole Group is a leading French bank and one of the largest banking groups in Europe. **www.credit-agricole.fr**	France	6,419	3.34
7	20	**Intesa Sanpaolo**	Intesa Sanpaolo is a banking group which is the leader in Italy in all business areas (retail, corporate, and wealth management). It also has as a selected presence in Central Eastern Europe and Middle Eastern and North African areas. **www.group.intesasanpaolo.com**	Italy	6,222	3.24
8	9	**Fresenius MedicalC are**	Fresenius Medical Care is a global health care group with products and services for dialysis, the hospital, and the medical care of patients at home. **www.fmc-ag.com**	Germany	6,065	3.15
9	26	**ING**	ING is a global financial institution with a strong European base, offering a comprehensive range of banking services. **www.ing.com**	Netherlands	5,245	2.73
10	–	**Essilor**	Essilor is the world leader for prescription lenses. **www.essilor.com**	France	4,857	2.53
Top 10 =33.54% of the portfolio					**64,496**	**33.54**

Strategic Report: Portfolio Information (continued)

Sector exposure at 31 July

As a percentage of the investment portfolio excluding cash



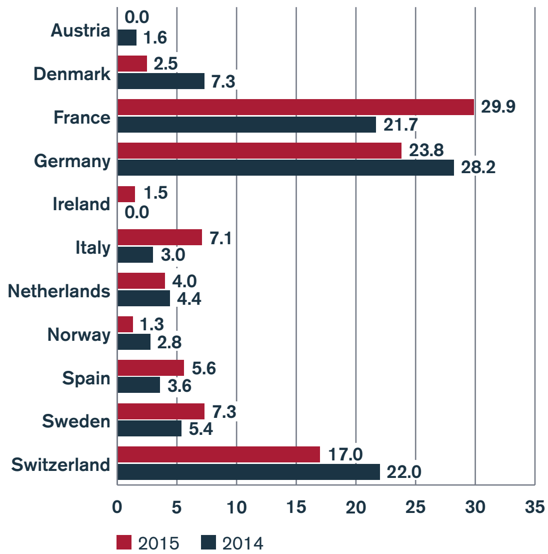
Performance drivers

over the year to 31 July 2015

	%
Benchmark Return	9.6
Sector Allocation	2.1
Stock Selection	3.3
Currency Movements (relative to index)	-0.6
Effect of Cash and Gearing	0.9
Effect of Ongoing Charge (including performance fee)	-1.4
NAV Total Return	**13.9**

Geographic exposure at 31 July

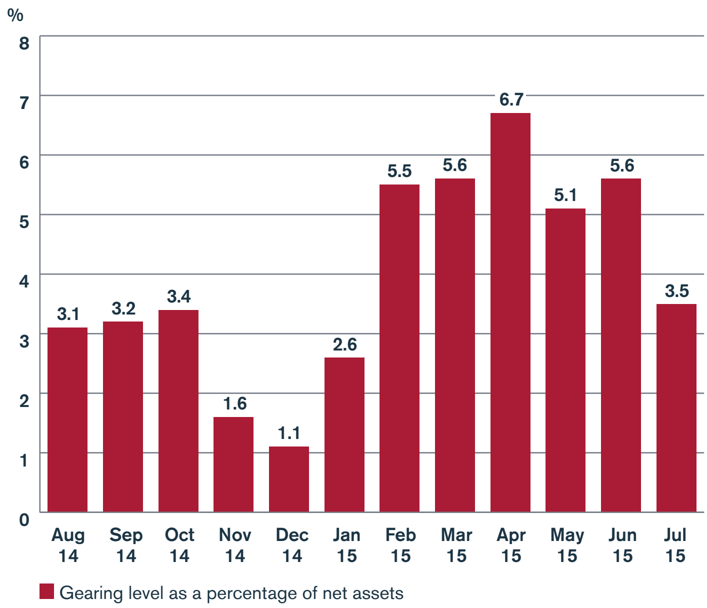
As a percentage of the investment portfolio excluding cash



Source: Henderson

Gearing levels

Over the year to 31 July 2015



Strategic Report: Investment Portfolio as at 31 July

Position 2015	Position 2014	Company	Country	Sector	Market Value 2015 £'000	Percentage of Portfolio 2015
1	4	Fresenius	Germany	Health Care	7,874	4.09
2	1	Deutsche Post	Germany	Air Freight & Logistics	7,384	3.84
3	5	Novartis	Switzerland	Pharmaceuticals and Biotechnology	7,122	3.70
4	11	Groupe Eurotunnel	France	Industrial Transportation	6,717	3.49
5	7	Sodexo	France	Catering Services	6,591	3.43
6	–	Credit Agricole	France	Banks	6,419	3.34
7	20	Intesa Sanpaolo	Italy	Banks	6,222	3.24
8	9	Fresenius Medical Care	Germany	Health Care	6,065	3.15
9	26	ING	Netherlands	Banks	5,245	2.73
10	–	Essilor	France	Health Care	4,857	2.53
Top 10					**64,496**	**33.54**
11	13	AXA	France	Insurance	4,738	2.47
12	18	Deutsche Telekom	Germany	Telecommunications	4,717	2.45
13	15	Nestlé	Switzerland	Food Producers	4,607	2.40
14	–	Atlantia	Italy	Industrial Transportation	4,563	2.37
15	22	BIC	France	Commercial Supplies	4,449	2.31
16	2	Partners Group	Switzerland	Financial Services	4,261	2.22
17	30	Amadeus	Spain	Support Services	4,010	2.09
18	27	Svenska Cellulosa	Sweden	Personal Goods	3,962	2.06
19	3	Roche	Switzerland	Pharmaceuticals and Biotechnology	3,776	1.96
20	34	Nordea Bank	Sweden	Banks	3,771	1.96
Top 20					**107,350**	**55.83**
21	43	UBS	Switzerland	Banks	3,764	1.96
22	16	Autoliv	Sweden	Automobiles & Parts	3,724	1.94
23	21	Linde	Germany	Chemicals	3,549	1.85
24	–	Bayer	Germany	Chemicals	3,510	1.82
25	25	SGS	Switzerland	Support Services	3,509	1.82
26	19	Aareal Bank	Germany	Financial Services	3,317	1.72
27	24	L'Oréal	France	Personal Goods	3,281	1.71
28	–	Orange	France	Fixed Line Telecommunications	3,059	1.59
29	40	Dufry	Switzerland	Retailing	2,979	1.55
30	–	Smurfit Kappa	Ireland	General Industrials	2,964	1.54
Top 30					**141,006**	**73.33**
31	44	Prosieben Media	Germany	Media	2,907	1.51
32	–	Brembo	Italy	Automobiles & Parts	2,906	1.51
33	32	Christian Dior	France	Personal Goods	2,868	1.49
34	–	Hermès	France	Personal Goods	2,751	1.43
35	–	Publicis Groupe	France	Media	2,733	1.42
36	–	Swatch	Switzerland	Personal Goods	2,636	1.37
37	–	Telefonica	Spain	Fixed Line Telecommunications	2,565	1.33
38	–	Lundin Petroleum	Sweden	Oil & Gas Producers	2,522	1.31
39	–	Koninklijke Philips	Netherlands	General Industrials	2,509	1.31
40	8	Statoil	Norway	Oil & Gas Producers	2,471	1.29
Top 40					**167,874**	**87.30**
41	33	Dassault Systèmes	France	Application Software	2,430	1.26
42	41	Pandora	Denmark	Personal Goods	2,386	1.24
43	–	Deutsche Boerse	Germany	Financial Services	2,337	1.22
44	6	Maersk	Denmark	Marine	2,335	1.21
45	–	Rubis	France	Banks	2,318	1.21
46	–	Legrand	France	Electronic & Electrical Equipment	2,209	1.15
47	14	Continental	Germany	Automobiles & Parts	2,111	1.10
48	23	Inditex	Spain	General Retailers	2,103	1.09
49	36	Munich Re.	Germany	Insurance	2,077	1.08
50	10	Valeo	France	Automobiles & Parts	2,065	1.07
Top 50					**190,245**	**98.93**
51	–	Grifols	Spain	Pharmaceuticals & Biotechnology	2,049	1.07
52	45	OW Bunker	Denmark	Industrial Transportation	0	0.00
					192,294	**100.00**

Strategic Report: Fund Manager's Report

The Fund Manager of the Portfolio, Tim Stevenson, reports on the year to 31 July 2015

Overview and performance

The last twelve months to 31 July 2015 have seen European equity markets perform well in local currency terms. For the Sterling or Dollar investor returns have been lower but still positive, due to the fact that Sterling has appreciated by 13.9% against the Euro. I am pleased to say that the Company has once again outperformed the FTSE World Europe (ex UK) Index by a good margin. For the year to 31 July 2015 the Net Asset Value ("NAV") total return was13.9%, and the share price total return was 15.8%. The FTSE World Europe (ex UK) Index returned 9.6% on a total return basis over the year. Furthermore, we have increased the dividend by 5.7%, implying a dividend yield at the year end share price of 2.05%.

There have been the usual episodes of headwinds – in particular the situation in Greece. For many years the Company has had no involvement in this market, so the impact has been indirect in that some believe Greece could provide a foretaste of other Euro members' experiences. While I share many of the concerns about the Euro, I do not subscribe to the view that it will collapse, in spite of the obvious stresses. It is a sad fact that most of the UK press concentrates its effort on all the negative aspects and omits to report on where progress is being made. The last twelve months has seen the start of an economic recovery across most of Europe, and undoubtedly part of that can be attributed to the reforms which have been (painfully) implemented. It is furthermore encouraging that earnings have also started to recover for many European companies, assisted no doubt by the weaker Euro and unprecedented monetary stimulus from the ECB.

This recovery in profits has not been in every sector. The weaker oil price has obviously weighed on that part of the market, and we have continued with only a very selective exposure here. The same is true in raw materials and even in some of the industrial conglomerates, many of which have continued to struggle to compete against intense overseas competition. Part of the outperformance this year (as in every year) is no doubt due to the avoidance of some of these areas.

The main contributors and detractors to performance during the year are set out in the table on page 10. Fresenius and Fresenius Medical Care both made good contributions, as did Partners Group (which incidentally featured in fund performance detractors last year, once again demonstrating the need for patience). The largest negatives were Statoil and OW Bunker.

On the latter, OW Bunker was the first bankruptcy of a holding in the Company's 23 year history. OW Bunker collapsed after a fraud in its Singapore subsidiary. The cost to the Company was about 1.2% of NAV on the day the stock's value was written down to zero on the announcement, but this impact was mitigated by the diverse nature of our holdings and the appreciation of many of those on the same day. While I think it is unlikely that we will recoup any of our investment, we (together with other institutional shareholders) are pursuing the matter through the proper channels in Denmark where the company had only recently listed. I apologise to shareholders for this loss, but I am afraid it was a fraud and we have more than recouped the loss by success elsewhere.

During the year demand for European shares has risen from investors worldwide and as a result we have been trading at close to NAV or at a small premium for much of the year. We have taken advantage of this ongoing demand to issue shares in the Company at a premium to NAV, which has the benefit of increasing the Company's size and thereby spreading costs over a larger base.

Portfolio changes and approach

There have been three key assumptions which form the background for the approach during the year: caution on anything that has little pricing power (cyclical companies, oil services), confidence that economic recovery will help earnings recover in much of the banking sector, and a continued belief that in a low growth world companies with a reliable growth profile will be favoured.

Our caution on oil stocks has led to the sale of ENI in Italy and a reduction in our positions in Statoil and Maersk (which has oil as well as shipping in its portfolio). We have added a small position in Lundin Petroleum which has part ownership of a number of fields which will start significant production from next year. We have also sold out of our holding in Adecco, St Gobain and ABB, with the latter a good example, in our view, of a well-managed company struggling to compete against lower cost producers in Asia.

A total of 15 positions have been sold, and 16 added, with the number of holdings at year end at 52. New holdings include Italian car component company Brembo and Italian motorway utility Atlantia which is benefiting from greater traffic on the motorways as the Italian economy recovers as well as having a holding in the main Rome airport. Other new positions include Swatch and luxury company Hermès. All these names have, in our view, a consistent and reliable track record and prospects.

The level of turnover, as measured by the lower of purchases or sales as a percentage of the average assets was 47.3% compared with 57.5% the previous year. This continues a trend of lower turnover, although it must be borne in mind that the volatility in markets caused by huge inflows into European equities and the uncertainties caused by Greece, China, Ukraine, the Middle East and the expectation for higher interest rates at some stage relatively soon in the USA, all mean that we may have to adapt our positioning from time to time.

Strategic Report: Fund Manager's Report (continued)

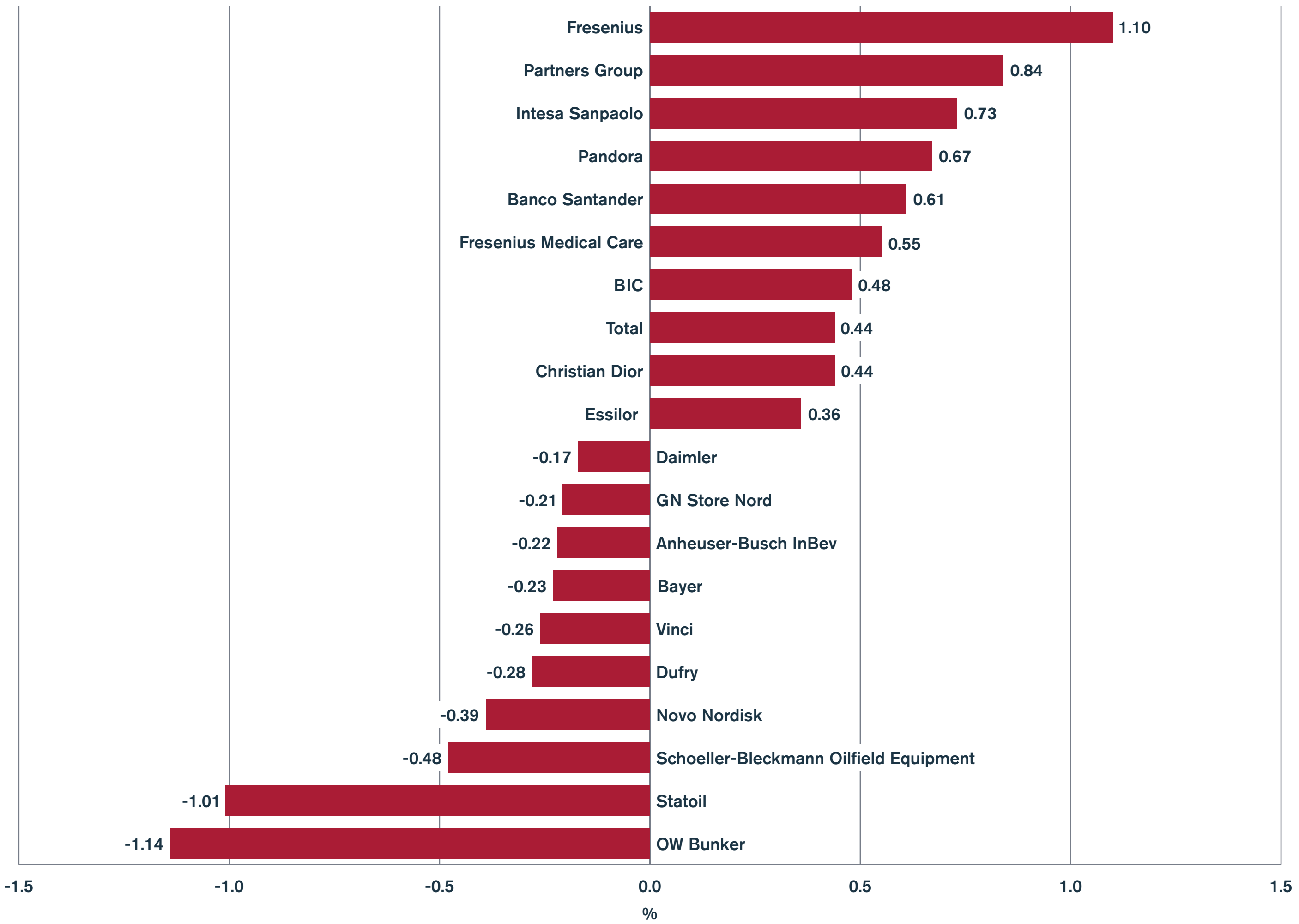
Outlook

The menu of "worries" mentioned in last year's Annual Report included Ukraine, the Middle East, and the prospect of tighter monetary policy in the USA and the UK. A year on, and the list is the same, and now Greece can be added, and also the uncertainty that may be caused by a sharper slowdown in the Chinese Economy. In addition there is a further pressure on the "Emerging Markets" which are struggling due to the strength in the US Dollar. There is a slight fear in the back of my mind that European markets are trading at high levels just at a time when perhaps we are close to being at the point where it is "as good as it gets". If there has been an element of "faute de mieux" behind the flows to European markets, then the flows which have avoided bonds might just swing back to ten year bonds when yields rise back towards a level of say 2.5% to 3% as inflation returns to a level of closer to 2% as expected by the ECB. It could herald a more difficult twelve months ahead.

In spite of that word of caution, the facts are clear that European economies are recovering, which is a result of the huge stimulus from the ECB's Quantitative Easing (QE) programme. This may have started later than some had wanted, but the fact that it was launched at a time when some were arguing that recovery had already started might mean that Europe is experiencing QE on steroids. Lower raw material prices – especially oil – has meant that the significant decline in the Euro has not translated into inflationary pressures, but that a weaker Euro has boosted the translation impact of overseas sales and profits. With these earnings coming through, companies are continuing the trend of paying a greater proportion of earnings to shareholders and I am confident that we will see increasing dividends for our holdings again this year. There will almost certainly be stress within the Euro area again, but at last, after many years of hesitancy, global investors are beginning to understand that there are some outstanding companies listed on the European markets.

Tim Stevenson
Fund Manager
7 October 2015

Top ten contributors to and bottom ten detractors from relative return



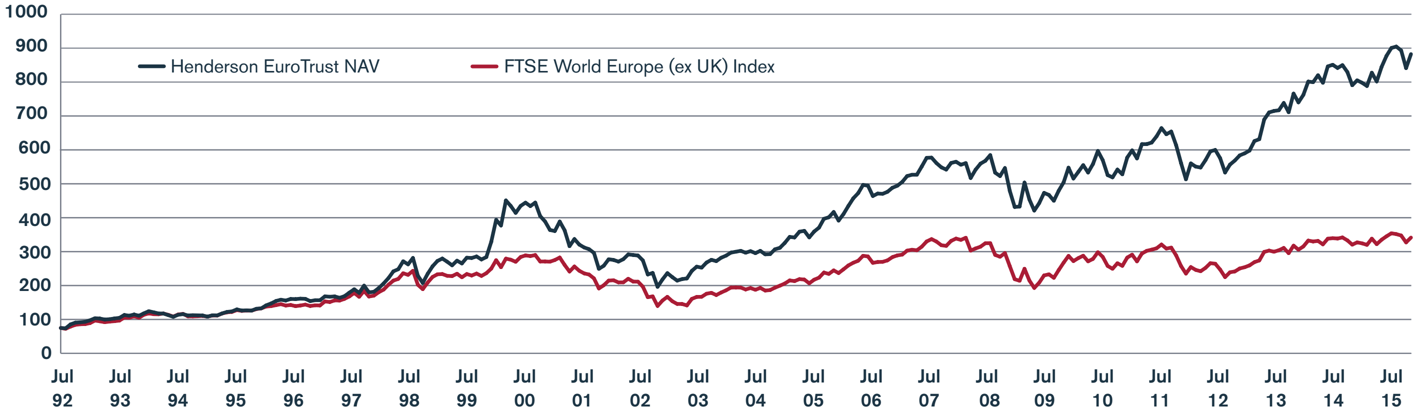
Strategic Report: Historical Performance and Financial Information

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

	1 year %	3 years %	5 years %	10 years %
Net asset value per ordinary share[1]	13.9	65.2	82.8	170.0
Share price[2]	15.8	91.2	108.0	204.4
AIC Europe Sector (Peer Group) Average – net asset value[3]	15.5	62.3	79.3	135.5
FTSE World Europe (ex UK) Index	9.6	55.3	52.5	100.6

1 Source: Morningstar for the AIC using cum income fair value NAV for one, three and five years and capital NAV plus income reinvested for 10 years
2 Based on the mid-market share price
3 Size weighted average (shareholders' funds)

NAV movement against indices since launch



Financial information

Year ended	Net Asset Value per Ordinary Share (p)	Share price percentage premium/ (discount) to Net Asset Value per Ordinary Share (p)	Revenue return per Ordinary Share (p)	Dividends per Ordinary Share (p)
31 July 2005	399.6	(8.7)	4.3	5.0
31 July 2006	473.9	(7.1)	5.7	5.5
31 July 2007	552.6	(6.5)	6.1	6.0
31 July 2008	527.8	(11.1)	10.1	10.0[4]
31 July 2009	487.8	(9.4)	12.4	11.0[4]
31 July 2010	549.0	(10.7)	12.1	11.0
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**

4 Includes a special dividend of 2.0p

Source: Factset, Datastream, Henderson

Strategic Report: Key Information

Directors

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

Nicola Ralston

Position: Chairman of the Board, Nominations and Management Engagement Committees

Nicola joined the Board on 1 September 2013. She has over thirty 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. Nicola previously spent over 20 years in fund management at Schroders and was formerly Head of Global Investment Consulting at Hewitt (now Aon Hewitt). Nicola is currently a member of the Investment Committees of the British Heart Foundation and Somerville College, Oxford, and of the FTSE Policy Committee, and was formerly a Governor of CFA Institute and a director of The Edinburgh Investment Trust plc.

John Cornish

Position: Director, Chairman of the Audit Committee and Senior Independent Director

John was appointed to the Board in November 2007 and is the Chairman of the Audit Committee. Previously he was a partner at Deloitte LLP where he led the firm's services to the investment trust industry. He served as Chairman of Framlington Innovative Growth Trust plc for four years until 2010 and currently he is a director of RIT Capital Partners plc, Allianz Technology Trust PLC and Strategic Equity Capital plc.

Joop Feilzer

Position: Director

Joop was appointed to the Board in November 2007. He is a member of the supervisory board of the Autoriteit Financiële Markten, the body which regulates the Dutch financial sector. He held various executive positions at the Fortis and Fortis Bank group of companies for a number of years, and was formerly a director of various BNP Paribas companies and of AG Insurance. He is a former Vice Chairman of CTP Property NV and a supervisory board member of several Dutch foundations.

David Marsh, CBE

Position: Director

David joined the Board in May 2011. He is Chairman of the Official Monetary and Financial Institutions Forum ('OMFIF') and senior adviser to financial group Soditic. He is a deputy Chairman of German-British Forum and board member of the British Chamber of Commerce in Germany. A former 'Financial Times' journalist, David is a frequent media commentator and the author of five books including 'The Euro – the Battle for the New Global Currency' and 'Europe's Deadlock'.

Strategic Report: Key Information (continued)

Registered office

201 Bishopsgate
London EC2M 3AE
Telephone: 020 7818 1818
Email: trusts@henderson.com

Service providers

Alternative Investment Fund Manager

Henderson Investment Funds Limited
201 Bishopsgate
London EC2M 3AE

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Stockbrokers

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

Corporate Secretary

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

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0370 889 3296

Financial calendar

Annual results	announced October 2015
Ex dividend date	15 October 2015
Dividend record date	16 October 2015
Annual General Meeting[1]	18 November 2015
Final dividend payable on	23 November 2015
Half year results	announced March 2016

Independent Auditors

Chartered Accountants and Statutory Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

1 At the Company's registered office, 201 Bishopsgate, London EC2M 3AE at 2.30pm

Information sources

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

HGi

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

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

Follow Henderson Investment Trusts on Twitter

To get the latest updates follow us on Twitter @HGiTrusts

Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website. Individuals holding shares through Halifax Share Dealing Limited can write to them at Lovell Park Road, Leeds LS1 1NS or contact them via telephone 08457 22 55 25, email **henderson@halifax.co.uk** or visit their website **www.halifax.co.uk/sharedealing**.

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

Nominee share code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at them when invited to do so by the Chairman.

Investors in Halifax Share Dealing receive all shareholder communications. A voting instruction form is provided to facilitate voting at general meetings of the Company.

Strategic Report: Corporate Information

Status

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

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

Principal risks and uncertainties

The Board has drawn up a matrix of risks 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 principal risks which have been identified and the steps taken by the Board to mitigate these are as follows:

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.

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.

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 UKLA 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. Henderson is contracted to provide investment, company secretarial, administration and accounting services through qualified professionals. The Board receives internal controls reports produced by Henderson on a quarterly basis, which confirm regulatory compliance.

Operational

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.

Details of how the Board monitors the services provided by 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 Statement on page 26. 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 44 to 50.

Borrowing

The Company has in place a loan facility which allows it to borrow as and when appropriate. £15 million is available under the facility. The maximum amount drawn down in the year under review was £14.9 million (2014: £14.7 million), with borrowing costs for the year totalling £56,000 (2014: £63,000). £8.0 million (2014: £2.9 million) of the facility was in use at the year end. Actual gearing at 31 July 2015 was 3.5% (2014: 0.9%) of net asset value.

Future developments

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

Key performance indicators

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

Performance measured against the benchmark

The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value and share price for the Company and the return of its benchmark, the FTSE World Europe (ex UK) Index. The Board considers this to be its most important key performance indicator and has determined that it should also be used to calculate whether a performance fee is payable to Henderson.

Premium/discount to net asset value ("NAV")

At each Board meeting, the Board monitors the level of the Company's premium/discount to NAV, looks at ways of managing this, and 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 will continue to instruct purchases as required and in accordance with the authority.

Strategic Report: Corporate Information (continued)

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 since 1 June 2008 has included 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 charges and gains or losses arising on investments and performance fees. 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 charts and tables on pages 2, 3, 7 and 11 show how the Company has performed against these KPIs.

Corporate responsibility

Responsible investment

Henderson is responsible for reporting on its work on corporate governance and corporate responsibility (or social, environmental and ethical ("SEE") issues) in the companies in which it invests on its clients' behalf, across all funds as part of its management duties. In May 2005 Henderson became a founding signatory to the United Nations Principles for Responsible Investment. The Principles, developed under the auspices of the UN Secretary-General, are a voluntary and aspirational framework for incorporating environmental, social and corporate governance ("ESG") issues into mainstream investment decision-making and ownership practices.

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

Voting policy and the UK stewardship code

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

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

Employees, social, community, human rights and environmental matters

The Company's core activities are undertaken by Henderson, which has implemented environmental management practices, including systems to limit the use of non-renewable resources and to minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and minimising waste, where possible. The Company has therefore not reported on these, or social, community or human rights issues here, Henderson's policies are included in its annual report which can be found on the website **wwww.henderson.com**.

Henderson's corporate responsibility statement is included on the website stated above. In 2012 it was granted Carbon Neutral Company status which it has committed to maintain at least until the end of 2015.

The Company's annual report is printed on paper produced using 50% recycled post consumer waste and 50% wood fibre from fully sustainable forests with certification by the Forest Stewardship Council, the printing company used is certified as Carbon Neutral®.

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

Board diversity

The Directors consider diversity when making appointments to the Board taking into account relevant skills, experience, knowledge and gender.

Currently, three of the Company's Directors are male and one is female. Their appointment to the Board was based on their skills and experience. The Company has no employees and, therefore, has nothing further to report in respect of gender representation within the Company.

On behalf of the Board

Nicola Ralston
Chairman
7 October 2015

Strategic Report: Glossary

Alternative Investment Fund Managers Directive ("AIFMD")

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

Association of Investment Companies ("AIC")

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

Benchmark

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

Custodian

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

Depositary

With effect from 22 July 2014 all AIFs were required to appoint a Depositary who has responsibility for overseeing the operations of the Company including safekeeping, cash monitoring and verification of ownership and valuation. 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 registrars to know which shareholders should be paid a dividend. Only shareholders on the register of members at the close of business on the record date will receive the dividend. The ex-dividend date is the business day before the record date and is the date upon which the Company's net asset value will be disclosed ex-dividend.

Gearing

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 (e.g. bank loans or overdrafts) the Company has used to invest in the market and is calculated by taking the difference between total investments and equity shareholders' funds, dividing this by equity shareholders' funds and multiplying by 100.
The Company can also use synthetic gearing through derivatives and foreign exchange hedging.

Investment trusts

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

Liquidity

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

Market capitalisation ("market cap")

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

Strategic Report: Glossary (continued)

Net asset value ("NAV") per ordinary share

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

Ongoing charge

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

Premium/discount

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

Total return performance

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

Yield

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

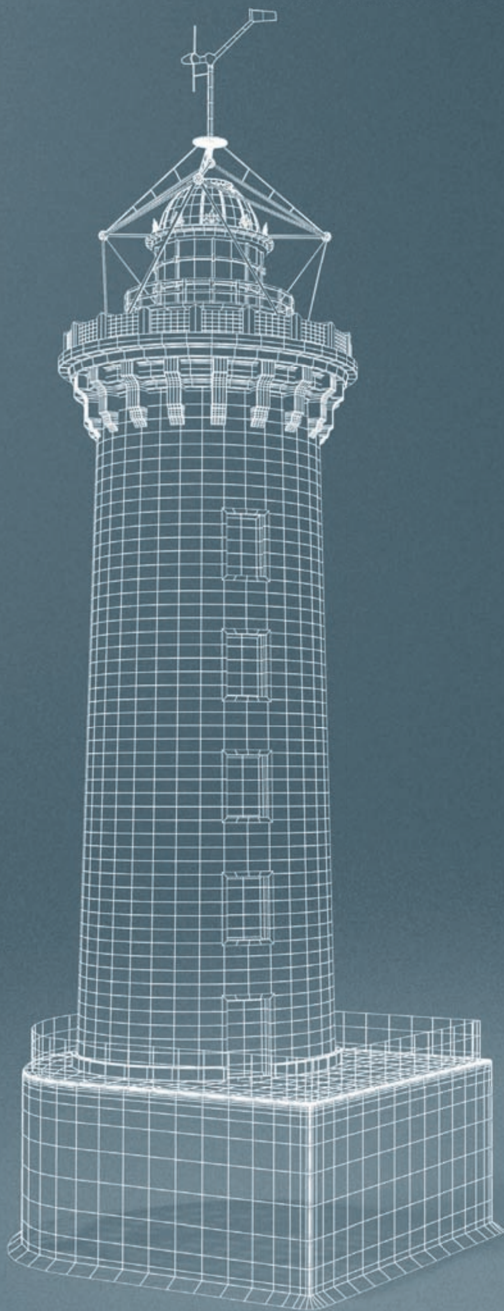
Warning to shareholders

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 Company Secretary at the number provided on page 13.

Corporate Report



Report of the Directors

The Directors present the audited financial statements of the Company and their report for the year from 1 August 2014 to 31 July 2015. Henderson EuroTrust plc ("the Company") (registered in England & Wales with company registration number 2718241) was active throughout the year under review and was not dormant.

Directors' Remuneration and Shareholdings

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

Directors' Conflicts of Interest

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

Related Party Transactions

The Company's current related parties are its Directors, and Henderson. There have been no material transactions between the Company and its Directors during the year and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable at the year end. Directors' shareholdings are disclosed on page 22.

In relation to the provision of services by Henderson, other than fees payable by the Company in the ordinary course of business and the provision of sales and marketing services there have been no material transactions with Henderson affecting the financial position of the Company during the year under review. More details on transactions with Henderson, including amounts outstanding at the year end, are given in note 21 on page 52.

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 every 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 2014 there were 20,390,541 shares in issue. During the year, 365,000 shares (representing 1.8% of the number of shares in issue at the beginning of the year) were issued to JP Morgan Cazenove at a price range of 868.0p to 950.0p for total proceeds (net of commissions) of £3,318,000. At 31 July 2015 the number of ordinary shares in issue (with voting rights) was 20,755,541.

Since 31 July 2015 and up to the date of this report a further 400,000 ordinary shares have been issued for a total consideration of £3,523,500. The number of shares in issue at the date of this report is 21,155,541.

The Directors seek annual authority from the shareholders to allot new shares, to disapply pre-emption rights and to buy back shares for cancellation or to be held in Treasury. At the AGM held in November 2014 the Directors were granted authority to buy back 3,056,542 shares. At 31 July 2015 no shares had been bought back from this authority. The Directors have remaining authority to purchase 3,056,542 shares. This authority will expire at the conclusion of the 2015 AGM. The Directors intend to renew this authority subject to shareholder authority.

Holdings in the Company's Shares

Declarations of interests in the voting rights of the Company as at 31 July 2015 in accordance with the disclosure and transparency rules were as follows:

Shareholder	% of voting rights
Brewin Dolphin	13.02
Investec Wealth & Management	11.95
Henderson Global Investors	10.95
Royal Bank of Scotland	5.97
1607 Capital Partners	4.78

No changes have been notified in the period 1 August 2015 to 2 October 2015.

At 31 July 2015, 4.2% of the issued ordinary shares were held on behalf of participants in the Halifax Share Dealing products, which is part of Lloyds Banking Group, and 2.1% were held on behalf of participants in Henderson products. The participants in these schemes are given the opportunity to instruct the relevant nominee company to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company.

Report of the Directors (continued)

In accordance with section 793 of the Companies Act 2006, the Company is aware of the following substantial holdings in the Company's ordinary shares as at 31 July 2015:

Holder	% of ordinary shares in issue
Brewin Dolphin	13.2
Investec Wealth and Investment	12.7
Adam & Co Investment Management	5.3
Halifax Share Dealing	4.2
Hargreaves Lansdown	3.6

Global Greenhouse Gas Emissions

As an externally managed investment company, the Company has no greenhouse gas emissions to report from its operations for the year to 31 July 2015 (2014: same), nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Going Concern

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

Corporate Governance

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

Annual General Meeting

The AGM will be held on Wednesday 18 November 2015 at 2.30 p.m. at the Company's registered office. The Notice and details of the resolutions to be put at the AGM are contained in the separate letter being sent to shareholders with this report. The AGM will be live streamed so that shareholders who are unable to attend in person can view the meeting online at **www.henderson.com/trustlive**.

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 auditors are 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 auditors are 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 than in accordance with LR 9.8.4(7), the information of which is detailed on page 19 under Share Capital.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
7 October 2015

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report which must be fair, balanced and understandable including 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 UK Accounting Standards. 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; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Statement under DTR 4.1.12

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

- the Company's financial statements, which have been prepared in accordance with UK Accounting Standards on a going concern basis, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report 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.

Signed for and on behalf of the Board

Nicola Ralston
Chairman
7 October 2015

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

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

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

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 ("the Regulations"). The report also meets the relevant requirements of the Companies Act 2006 ("the Act") and the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles relating to Directors' remuneration. As required by section 439 of the Act, an ordinary resolution to approve the report will be proposed at the Annual General Meeting on 18 November 2015. The Company's remuneration policy was approved by Shareholders at the AGM in 2014, in accordance with section 439A of the Act. No changes to the current policy are proposed.

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

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

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

Remuneration policy

Directors are remunerated in the form of fees, payable quarterly in arrears. In accordance with the Company's Articles of Association the aggregate remuneration of the Directors may not exceed £150,000 per annum. Subject to this overall limit, the Board's policy is that 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. All Directors, including any new appointments to the Board, are paid at the same rate, apart from the Chairman of the Board, the Chairman of the Audit Committee and the Senior Independent Director who are paid a higher fee in recognition of their additional responsibilities. The level of remuneration paid to each Director is reviewed annually, although such review will not necessarily result in any change to the rate; any feedback from shareholders would be taken into account when setting remuneration levels. Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties.

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

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

This policy is unchanged and will remain in place until the Annual General Meeting in 2017 unless it is amended by way of ordinary resolution put to shareholders at a general meeting. The Board may amend the level of remuneration paid to individual Directors within the parameters of the remuneration policy.

Annual statement

As Chairman, Nicola Ralston reports on the decisions on Directors' remuneration taken in the year under review.

The fees paid to Directors were increased with effect from 1 August 2014 as detailed on page 23. 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.

Annual report on remuneration

Directors' interests in shares (audited)

	Ordinary shares of 5p	
	31 July 2015	**31 July 2014**
Nicola Ralston	6,000	6,000
John Cornish	6,000	6,000
David Marsh[1]	7,300	–
Joop Feilzer	30,000	30,000

1 In 2014 Mr Marsh's holding was inadvertently sold when he transferred SIPP provider. He subsequently repurchased shares in the Company following the discovery of this error.

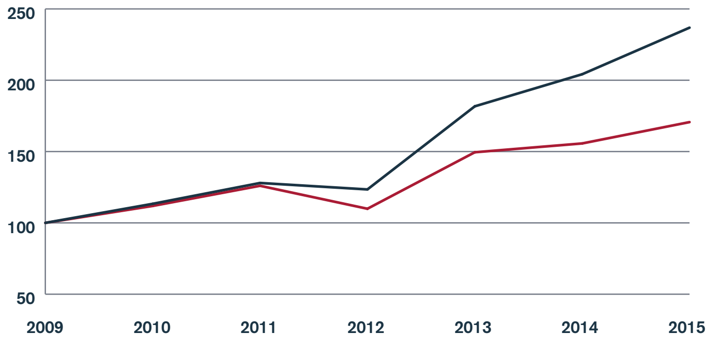
The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the preceding table.

There have been no other changes to the Directors' holdings in the period 1 August 2015 to 7 October 2015.

Directors' Remuneration Report (continued)

Performance

The graph opposite compares the mid-market price of the Company's ordinary shares over the six year period ended 31 July 2015 with the return from the FTSE World Europe (ex UK) Index over the same period.



Henderson EuroTrust share price total return, assuming the investment of £1,000 on 31 July 2009 and the reinvestment of all dividends (excluding dealing expenses). (Source: Morningstar for the AIC).

FTSE World Europe (ex UK) Index assuming the notional investment of £1,000 on 31 July 2009 and the reinvestment of all income (excluding dealing expenses). (Source: Datastream).

Directors' fees and expenses (audited)

The fees and expenses paid to the Directors who served during the years ended 31 July 2015 and 31 July 2014 were as follows:

	Year ended 31 July 2015 Total salary and fees £	Year ended 31 July 2014 Total salary and fees £	Year ended 31 July 2015 Taxable benefits £	Year ended 31 July 2014 Taxable benefits £	Year ended 31 July 2015 Total £	Year ended 31 July 2014 Total £
Nicola Ralston[1]	30,000	18,930	116	–	30,116	18,930
John Cornish[2]	27,701	20,000	–	–	27,701	20,000
David Marsh	22,000	18,000	–	–	22,000	18,000
Joop Feilzer	22,000	18,000	–	1,406	22,000	19,406
Mark Tapley[3]	–	16,320	–	–	–	16,320
Total	**101,701**	**91,250**	**116**	**1,406**	**101,817**	**92,656**

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. Appointed as a Director on 1 September 2013 and as Chairman on 26 March 2014. 2014 Fees pro rated as appointed part way through the year.
[2] Chairman of the Audit Committee and Senior Independent Director.
[3] Retired on 26 March 2014.

The fees paid to the Directors are: Chairman £30,000, Audit Committee Chairman £25,000 and Directors £22,000. The fees were increased with effect from 1 August 2014. Prior to this the fee level was: Chairman £25,000, Audit Committee Chairman £20,000, Director £18,000. Mr John Cornish also receives an additional fee of £2,000 per annum for the position of Senior Independent Director, a position he was appointed to on 26 March 2014. The fees for this position in respect of the period 26 March 2014 to 31 July 2014 were paid in the current year and are included in the table above. 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.

Relative importance of spend on pay

In order to show the relative importance of spend on pay, the table below sets out the total level of remuneration compared to the distributions to shareholders by way of dividends. 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.

	2015 £'000	2014 £'000	Change £'000
Total remuneration paid to Directors	102	93	9
Ordinary dividend paid during the year	3,678	3,467	211

Statement of voting at AGM

At the 2014 AGM 5,846,076 votes (98.95%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 62,176 (1.05%) were against, 0 (0.0%) were discretionary and 544,733 were withheld; the percentage of votes excludes votes withheld. In relation to the approval of the remuneration policy, 6,232,284 votes (97.32%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 171,929 (2.68%) were against, 0 (0.0%) were discretionary and 48,773 were withheld; the percentage of votes excludes votes withheld.

For and on behalf of the Board

Nicola Ralston
Director
7 October 2015

Corporate Governance Statement

Applicable corporate governance codes

The Board is accountable to shareholders for the governance of the Company's affairs. As an investment trust, the Company's day-to-day responsibilities are delegated to third parties; the Company has no employees and the Directors are all non-executive. Therefore not all the provisions of the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council ("FRC") in September 2012 are directly applicable to the Company. The Board has therefore considered the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies in February 2013 (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the applicable principles set out in the UK Code as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The FRC has confirmed that by following the AIC Guide, boards of investment companies should fully meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

The Board has noted that the FRC and AIC have issued revised codes against which the Company will be required to report against next year.

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

Statement of compliance

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

The UK Code includes provisions relating to:

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

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

Directors

Directors' appointment and retirement

The Board may appoint Directors to the Board without shareholder approval. Any Director so appointed must stand for election by the shareholders at the next Annual General Meeting ("AGM") in accordance with the Articles of Association.

The AIC Code states that any director who has served for more than nine years is subject to annual re-election.

The AIC Code requires all Directors to retire at intervals of not more than three years; the Company's Articles of Association also provide that one-third (but not more than one-third) of Directors must seek re-election at each AGM. The director offering himself for re-election at this year's AGM is John Cornish.

The contribution and performance of the Director seeking re-election was reviewed by the Nominations Committee at its meeting in July 2015, which recommended to the Board the continuing appointment of that Director.

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

Directors' independence

All Directors have a range of other interests and are not dependent on the Company itself. At the Nominations Committee meeting in July 2015, the Directors reviewed their independence and confirmed that all Directors remain wholly independent of Henderson. The Board believes that length of service does not diminish the contribution from a Director as experience and knowledge of the Company is a positive factor and should not impact a Director's independence. It believes that longer serving Directors are less likely to take a short-term view, which belief is supported by the AIC Code. 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.

John Cornish is the Company's Senior Independent Director.

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

Directors' professional development

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

Corporate Governance Statement (continued)

proceedings brought against them arising out of their positions as directors, in which they are acquitted or judgment is given in their favour by the Court.

The Board

Board composition

The Board currently consists of four non-executive Directors and the biographies of those holding office at the date of this report are included on page 12. Those details demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors. All Directors served throughout the year and apart from Joop Feilzer who is resident in the Netherlands, all are resident in the UK.

Responsibilities of the Board and its Committees

The Board, which is chaired by Nicola Ralston who is an independent non-executive Director, 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 Board has a formal schedule of matters specifically reserved for its decision, which include strategy, management and structure, financial reporting and other communications, Board membership and other appointments, internal control and corporate governance.

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. The Directors confirm that they are satisfied that the Annual Report for the year ended 31 July 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

At each meeting the Directors follow a formal agenda, which includes a review of the Company's net asset value ("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 Henderson has discretion to act and regularly reviews investment strategy. It has adopted a procedure for Directors to take independent professional advice in the furtherance of their duties at the expense of the Company.

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

Committees of the Board

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

A separate remuneration committee has not been established as the Board consists of only non-executive Directors. The whole Board is responsible for setting Directors' fees in line with the remuneration policy set out on page 22, which is subject to periodic shareholder approval.

Audit Committee

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

Nominations Committee

All Directors are members of the Nominations Committee, which is chaired by the Chairman of the Board (except when the Chairman's successor was being considered). The Committee is responsible for reviewing Board succession planning and tenure policy, the performance of the Board as a whole and the Board Committees and the recommendation to the Board on the appointment of new Directors through an established formal procedure.

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

Given the small size of the Board, it is not considered appropriate for the Company to have set targets in relation to gender diversity; candidates will be 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 agencies as and when the requirement to recruit an additional Board member becomes necessary.

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

The Committee met in July 2015 to carry out its annual review of the Board, its composition and size and its Committees. The results of the performance evaluation are detailed overleaf.

Management Engagement Committee

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

Corporate Governance Statement (continued)

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

The Committee met in July 2015 to carry out its annual review of Henderson, the results of which are detailed on page 27.

Board attendance

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

	Board	AC	MEC	NC
Number of meetings				
Nicola Ralston	6	2	1	1
John Cornish	5	1	1	1
Joop Feilzer	6	2	1	1
David Marsh	5	0	1	1

AC: Audit Committee
MEC: Management Engagement Committee
NC: Nominations Committee

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.

Performance evaluation

The performance of the Company is considered in detail at each Board meeting. In the year under review the Board has conducted a review of its own performance, together with that of its Committees, the Chairman and each individual Director. This was conducted by way of an evaluation questionnaire. The results of the questionnaire were supplied to the Chairman who collated the results and provided a summary to the Board. The Senior Independent Director collated the responses and provided a summary in respect of the evaluation of the Chairman. It was concluded that each were satisfactory and the Board has a good balance of skills and experience. In particular, it is considered that each of the Directors makes a significant contribution to the affairs of the Company and the Chairman continues to display effective leadership and that Directors seeking re-election at the Company's AGM merit re-election by shareholders.

Internal controls

The Board has established an ongoing process for identifying, evaluating and managing any major risks faced by the Company. The process accords with advice issued by the FRC and is subject to regular review by the Board. The Board has overall responsibility for the Company's system of internal controls and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has reviewed the effectiveness of the Company's system of internal controls for the year ended 31 July 2015. During the course of its review the Board has not identified or been advised of any failings or weaknesses that have been determined as significant. All business risks faced by the Company are recorded in a risk map which is reviewed periodically.

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

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

Accountability and relationship with Henderson

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 21, the Independent Auditors' Report on pages 30 to 34 and the statement of going concern on page 20.

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

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

Henderson takes decisions as to the purchase and sale of individual investments. Henderson also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of Henderson attend

Corporate Governance Statement (continued)

each Board meeting enabling the Directors to probe further on matters of concern. The Directors have access to the advice and services of the Corporate Secretary through its appointed representative who is responsible to the Board for ensuring that Board and Committee procedures are followed and that applicable rules and regulations are complied with. The proceedings at all Board and Committee meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes. The Board and Henderson operate in a supportive, co-operative and open environment.

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

Continued appointment of Henderson

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

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

It is the Directors' opinion that the continuing appointment of Henderson on the existing terms is in the interests of the Company and its shareholders as a whole.

Share capital

Please see the Report of the Directors on page 19.

Relations with shareholders

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with its shareholders is through the half year results and Annual Report which aim to provide shareholders with a clear understanding of the Company's activities and their results. This information is supplemented by the daily calculation and publication of the NAV per share to a regulatory information service and a monthly fact sheet which is available on the website. Henderson also provides information on the Company and Fund Manager videos on the website, via various social media channels and through its HGi content platform, more details of which are included on page 13.

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

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

By order of the Board

For and on behalf of
Henderson Secretarial Services Limited
Corporate Secretary
7 October 2015

Report of The Audit Committee

Composition

The Audit Committee comprises all of the Directors and is chaired by John Cornish, who is a chartered accountant. The other Audit Committee members have a combination of financial, investment and other experience gained throughout their careers and the Board is satisfied that at least one of the Committee's members has recent and relevant financial experience. The biographies of the Audit Committee members are shown on page 12. All members of the Audit Committee are independent.

Meetings

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

Role and responsibilities

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

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

Report of The Audit Committee (continued)

Audit for the year ended 31 July 2015

In relation to the Annual Report for the year ended 31 July 2015 the following significant issues were considered by the Committee:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. Investments that are unquoted or not actively traded are valued using a variety of techniques to determine their fair value; all such valuations are reviewed by both Henderson's fair value pricing committee and by the Directors. Ownership is verified by reconciliation to the custodian's records. The Company does not have any unquoted investments at present.
Recognition of income	Income received is accounted for in line with the Company's accounting policy (as set out on pages 39 and 40) and is reviewed by the Committee at each meeting.
Compliance with Section 1158 of the Corporation Tax Act 2010	The Committee regularly considers the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times.
Maintaining internal controls	The Committee receives regular reports on internal controls from Henderson and its delegates and has access to the relevant personnel of Henderson who have a responsibility for risk management and internal audit.
Performance fee	The calculation of the performance fee payable to Henderson is reviewed by the Audit Committee before being approved by the Board.

Policy on non-audit services

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

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

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

There were no non-audit services during the year.

Auditors' appointment

The Audit Committee has considered the implications of PwC being appointed as auditors to Henderson and is satisfied that the auditors are independent of the Company as the audit teams for Henderson and the Company are independent of each other and strong controls are in place to ensure independence.

PwC have been the Company's auditors since launch. The appointment of the auditors is not regularly put out to tender and as the Company is not in the FTSE 350 it is not required to do so on a regular basis. However, performance is regularly reviewed by the Audit Committee. As a Public Interest Entity listed on the London Stock Exchange, the Company will in future be subject to the mandatory auditor rotation requirements of the European Union. Subject to the detailed implementation of the EU regulation in the UK, this is likely to mean that the Company will be required to put its audit contract out to tender at least every 10 years and change auditors at least every 20 years.

The Audit Committee reviews the effectiveness of the audit provided by PwC on an annual basis and remains satisfied with the effectiveness of the audit based on their performance. On the basis of the auditors' performance the Audit Committee recommended their continuing appointment to the Board with no tender necessary. The auditors have indicated their willingness to continue in office. Accordingly, resolutions to confirm the appointment of PwC as auditors to the Company and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Fees paid or payable to the auditors are detailed in note 6 on page 41.

For and on behalf of the Board

John Cornish
Audit Committee Chairman
7 October 2015

Independent Auditors' Report to the members of Henderson EuroTrust plc

Report on the financial statements

Our opinion

In our opinion, Henderson EuroTrust plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 July 2015 and of its net return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Henderson EuroTrust plc's financial statements comprise:

- the Balance Sheet as at 31 July 2015;
- the Income Statement for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Reconciliation of Movements in Shareholders' Funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

Overview

- Overall materiality: £1.8 million which represents 1% of net assets.

- The Company is a standalone Investment Trust Company and engages Henderson Investment Funds Limited (the "Manager") to manage its assets.
- We conducted our audit of the financial statements using information from BNP Paribas Securities Services (the "Administrator") to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.

- Valuation and existence of investments
- Dividend income
- Performance fee

Independent Auditors' Report to the members of Henderson EuroTrust plc (continued)

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Valuation and existence of investments Refer to pages 28-29 (Report of the Audit Committee), page 39 (Accounting Policies) and page 43 (notes). The investment portfolio at the year-end principally comprised listed equity investments valued at £192.3 million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the financial statements.	We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. We tested the existence of the investment portfolio by agreeing the holdings for investments to an independent custodian confirmation from HSBC Bank plc. No differences were identified by our testing which required reporting to those charged with governance.
Dividend income Refer to pages 28-29 (Report of the Audit Committee), page 39 (Accounting Policies) and page 41 (notes). We focused on the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the "AIC SORP"). This is because incomplete or inaccurate income could have a material impact on the Company's net asset value and dividend cover.	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. We understood and assessed the design and implementation of relevant controls surrounding income recognition. In addition, we tested dividend receipts by agreeing the dividend rates from investments to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared by investment holdings in the portfolio. Our testing did not identify any unrecorded dividends. We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. We then tested the validity of special dividends to independent third party sources. No material exceptions were noted.

Independent Auditors' Report to the members of Henderson EuroTrust plc (continued)

Area of focus	How our audit addressed the area of focus
Performance fee Refer to pages 28-29 (Report of the Audit Committee), page 39 (Accounting Policies) and page 41 (notes). A performance fee is payable for the year of £878,000. We focused on this area because the performance fee is calculated using a complex methodology as set out in the Investment Management Agreement between the Company and the Manager.	We independently recalculated the performance fee of £878,000 using the methodology set out in the Investment Management Agreement and agreed the inputs to the calculation, including the benchmark data, to independent third party sources, where applicable. No material misstatements were identified by our testing which required reporting to those charged with governance. We tested the allocation of the performance fee between the revenue and capital return columns of the Income Statement with reference to the accounting policy as set out on page 39. We found that the allocation of the performance fee was consistent with the accounting policy.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the types of investments within the Company, the involvement of the Manager and Administrator, the accounting processes and controls, and the industry in which the Company operates.

The Company's accounting is delegated to the Administrator who maintain their own accounting records and controls and report to the Manager and the Directors.

As part of our risk assessment, we assessed the control environment in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment involved obtaining and reading the relevant control reports, issued by the independent auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work, to gain an understanding of both the Manager's and Administrator's control environment and to consider the operating and accounting structure at both the Manager and the Administrator. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

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

Overall materiality	£1.8 million (2014: £1.6 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £92,000 (2014: £81,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 20, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the Company's financial statements using the going concern basis of accounting. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern.

Independent Auditors' Report to the members of Henderson EuroTrust plc (continued)

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

▪ information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report arising from this responsibility.
▪ the statement given by the Directors on page 21, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Company's performance, business model and strategy is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
▪ the section of the Annual Report on pages 28-29, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' Remuneration Report – Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Independent Auditors' Report to the members of Henderson EuroTrust plc (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 21, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions.

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

Sally Cosgrove (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 October 2015

Income Statement

for the year ended 31 July

Notes		Year ended 31 July 2015 Revenue return £'000	Year ended 31 July 2015 Capital return £'000	Year ended 31 July 2015 Total £'000	Year ended 31 July 2014 Revenue return £'000	Year ended 31 July 2014 Capital return £'000	Year ended 31 July 2014 Total £'000
2	Gains on investments held at fair value through profit or loss	–	20,419	20,419	–	6,017	6,017
3	Investment income	4,842	–	4,842	4,628	–	4,628
4	Other income	–	–	–	2	–	2
	Gross revenue and capital gains	**4,842**	**20,419**	**25,261**	**4,630**	**6,017**	**10,647**
5	Management and performance fees	(226)	(1,784)	(2,010)	(219)	(955)	(1,174)
6	Other administrative expenses	(362)	–	(362)	(344)	–	(344)
	Net return on ordinary activities before finance charges and taxation	**4,254**	**18,635**	**22,889**	**4,067**	**5,062**	**9,129**
7	Finance charges	(11)	(45)	(56)	(12)	(51)	(63)
	Net return on ordinary activities before taxation	**4,243**	**18,590**	**22,833**	**4,055**	**5,011**	**9,066**
8	Taxation on net return on ordinary activities	(489)	–	(489)	(473)	–	(473)
	Net return on ordinary activities after taxation	**3,754**	**18,590**	**22,344**	**3,582**	**5,011**	**8,593**
9	Return per ordinary share – basic and diluted	18.3p	90.7p	109.0p	17.6p	24.5p	42.1p

The total column of this statement represents the Profit and Loss Account 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 Association of Investment Companies.

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

The notes on pages 39 to 52 form part of these financial statements

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 July

Notes	Year ended 31 July 2015	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Shareholders' funds total £'000
	At 1 August 2014	1,020	33,814	263	123,864	4,810	163,771
	Net return on ordinary activities after taxation	–	–	–	18,590	3,754	22,344
	Ordinary shares issued	18	3,335	–	–	–	3,353
	Issue costs	–	(35)	–	–	–	(35)
10	Final dividend paid in respect of the year ended 31 July 2014 (paid 21 November 2014)	–	–	–	–	(2,549)	(2,549)
10	Interim dividend paid in respect of the year ended 31 July 2015 (paid 24 April 2015)	–	–	–	–	(1,129)	(1,129)
	At 31 July 2015	**1,038**	**37,114**	**263**	**142,454**	**4,886**	**185,755**

	Year ended 31 July 2014	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Shareholders' funds total £'000
	At 1 August 2013	1,020	33,814	263	118,853	4,695	158,645
	Net return on ordinary activities after taxation	–	–	–	5,011	3,582	8,593
10	Final dividend paid in respect of the year ended 31 July 2013 (paid 20 November 2013)	–	–	–	–	(2,447)	(2,447)
10	Interim dividend paid in respect of the year ended 31 July 2014 (paid 25 April 2014)	–	–	–	–	(1,020)	(1,020)
	At 31 July 2014	**1,020**	**33,814**	**263**	**123,864**	**4,810**	**163,771**

The notes on pages 39 to 52 form part of these financial statements

Balance Sheet

at 31 July

Notes		2015 £'000	2014 £'000
	Fixed asset investments held at fair value through profit or loss		
11	Listed at market value – overseas	192,294	165,206
	Current assets		
12	Debtors	465	776
	Cash at bank and in hand	2,561	1,513
		3,026	**2,289**
13	**Creditors: amounts falling due within one year**	(9,565)	(3,724)
	Net current liabilities	**(6,539)**	**(1,435)**
	Net assets	**185,755**	**163,771**
	Capital and reserves		
16	Called up share capital	1,038	1,020
17	Share premium account	37,114	33,814
18	Capital redemption reserve	263	263
18	Capital reserves	142,454	123,864
18	Revenue reserve	4,886	4,810
	Total shareholders' funds	**185,755**	**163,771**
14	Net asset value per ordinary share (basic and diluted)	895.0p	803.2p

The financial statements on pages 35 to 52 were approved and authorised for issue by the Board of Directors on 7 October 2015.

Nicola Ralston
Chairman

The notes on pages 39 to 52 form part of these financial statements

Cash Flow Statement

for the year ended 31 July

Notes		2015 £'000	2015 £'000	2014 £'000	2014 £'000
19	**Net cash inflow from operating activities**		**2,280**		**2,407**
	Servicing of finance				
	Interest paid	(58)		(64)	
	Net cash outflow from servicing of finance		**(58)**		**(64)**
	Taxation				
	Overseas tax recovered	437		4	
	Net tax recovered		**437**		**4**
	Financial investment				
	Purchases of investments	(89,385)		(96,856)	
	Sales of investments	82,364		100,842	
	Net cash (outflow)/inflow from financial investment		**(7,021)**		**3,986**
	Equity dividends paid		(3,678)		(3,467)
	Net cash (outflow)/inflow before financing		**(8,040)**		**2,866**
	Financing				
	Ordinary shares issued	3,318		–	
	Drawdown/(repayment) of loans	5,690		(4,729)	
	Net cash inflow/(outflow) from financing		**9,008**		**(4,729)**
	Increase/(decrease) in cash		**968**		**(1,863)**

Reconciliation of net cash flow to movement in net debt

Notes		2015 £'000	2014 £'000
20	Increase/(decrease) in cash as above	968	(1,863)
20	Exchange movements	692	425
	Net cash flow from (increase)/decrease in loans	(5,690)	4,729
	Change in net debt resulting from cash flows	**(4,030)**	**3,291**
20	Net debt at 1 August	(1,418)	(4,709)
20	**Net debt at 31 July**	**(5,448)**	**(1,418)**
	Represented by:		
	Cash and cash equivalents	2,561	1,513
	Bank loans	(8,009)	(2,931)
		(5,448)	**(1,418)**

The notes on pages 39 to 52 form part of these financial statements

Notes to the Financial Statements

1 Accounting policies

(a) Basis of accounting

The financial statements have been prepared on a going concern basis and under the historical cost basis of accounting, modified to include the revaluation of investments at fair value through profit or loss. The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and with those parts of the Companies Act 2006 applicable to companies reporting under the standards and with the Statement of Recommended Practice ('SORP') for investment trusts issued by the Association of Investment Companies ('the AIC') in January 2009. The Company's accounting policies are consistent with the prior year.

(b) 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 balance sheet 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'. Also included within this caption are transaction costs in relation to the purchase or sale of investments, including the difference between the purchase price of an investment and its bid price at the date of purchase.

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 Henderson's fair value pricing committee and by the Directors.

(c) 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.

(d) 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. Bank deposit interest is taken to revenue return on an accruals basis.

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.

(e) Expenses and finance charges

All expenses are accounted for on an accruals basis. Finance charges, 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 charges and management fee to the capital return. Any performance fees payable are allocated wholly to capital, reflecting the fact that although they are calculated on a total return basis, they are expected to be attributable largely, if not wholly, to capital performance. 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.

(f) Taxation

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

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or 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 balance sheet date.

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.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

(f) Taxation (continued)

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

(g) Foreign currency

In accordance with FRS 23: 'The effects of changes in Foreign Currency Exchange Rates' the Company is required to nominate a 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.

(h) Dividends payable to shareholders

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

(i) Repurchase of ordinary shares

The cost of repurchasing ordinary shares, including related stamp duty and transaction costs, is taken directly to equity and dealt with in the Reconciliation of Movements in Shareholders' Funds. Share repurchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of called up share capital and into the capital redemption reserve.

(j) Capital reserves

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.

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

	2015 £'000	2014 £'000
Gains on the sale of investments based on historical cost	6,114	15,900
Less: revaluation gains recognised in previous years	(6,244)	(13,704)
(Losses)/gains on investments sold in the year based on carrying value at the previous balance sheet date	**(130)**	**2,196**
Revaluation of investments held at 31 July	19,857	3,434
Exchange gains	692	387
	20,419	**6,017**

Notes to the Financial Statements (continued)

3 Investment income

	2015 £'000	2014 £'000
Overseas dividend income	4,842	4,628

4 Other income

	2015 £'000	2014 £'000
Interest received	–	2

5 Management and performance fees

	2015			2014		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Management fee	226	906	1,132	219	877	1,096
Performance fee	–	878	878	–	78	78
	226	**1,784**	**2,010**	**219**	**955**	**1,174**

A summary of the terms of the management agreement is given in the Strategic Report on page 4.

6 Other administrative expenses (including irrecoverable VAT)

	2015 £'000	2014 £'000
Directors' fees and taxable benefits (see the Directors' Remuneration Report on page 23)	102	93
Auditors' remuneration – for audit services	31	31
Other administrative expenses:		
Bank charges	22	58
Loan – including arrangement fees, non utilisation fees and legal fees	31	46
Legal and professional fees	1	24
Marketing fees payable to the Manager	45	24
Printing and postage	20	15
Stock exchange listing	21	15
AIC fees	17	15
Registrar's fees	11	10
Depositary fees	40	1
Other expenses	21	12
	362	**344**

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

7 Finance charges

	2015			2014		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Loan interest	11	45	56	12	51	63

Notes to the Financial Statements (continued)

8 Taxation on net return on ordinary activities

a) Analysis of charge in the year

	2015			2014		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Foreign withholding taxes	797	–	797	801	–	801
Overseas tax reclaimable	(308)	–	(308)	(324)	–	(324)
Adjustments in respect of the prior year	–	–	–	(4)	–	(4)
Current tax charge for the year (see note 8 b))	**489**	**–**	**489**	**473**	**–**	**473**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 20.67% (2014: 22.33%). The differences are explained below. The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 20.67%.

b) Factors affecting the tax charge for the year

	2015			2014		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Net return on ordinary activities before taxation	**4,243**	**18,590**	**22,833**	**4,055**	**5,011**	**9,066**
Corporation tax at 20.67% (2014: 22.33%)	877	3,843	4,720	905	1,119	2,024
Effects of:						
Non-taxable gains less losses on investments held at fair value through profit or loss	–	(4,221)	(4,221)	–	(1,343)	(1,343)
Non-taxable overseas dividends	(1,002)	–	(1,002)	(1,002)	–	(1,002)
Overseas tax	489	–	489	477	–	477
Excess management expenses	107	378	485	72	224	296
Adjustments in respect of the prior year	–	–	–	(4)	–	(4)
Unutilised loan relationships	18	–	18	25	–	25
Current tax charge	**489**	**–**	**489**	**473**	**–**	**473**

c) Deferred tax

The Company has unprovided deferred tax assets of £2,133,000 at 31 July 2015 (2014: £1,646,000) arising as a result of excess management expenses and loan relationship deficits. These expenses will only be utilised if the Company has profits chargeable to corporation tax in the future.

Due to its status as an investment trust company, the Company is exempt from Corporation tax on its chargeable gains. It intends to maintain approval as an investment trust company for the foreseeable future.

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 £22,344,000 (2014: £8,593,000) and on 20,501,199 ordinary shares (2014: 20,390,541) being the weighted average number of shares in issue during the year. The total return can be further analysed as follows:

	2015 £'000	2014 £'000
Revenue return	3,754	3,582
Capital return	18,590	5,011
Total return	**22,344**	**8,593**
Weighted average number of ordinary shares	**20,501,199**	**20,390,541**

	2015 Pence	2014 Pence
Revenue return per ordinary share	18.3	17.6
Capital return per ordinary share	90.7	24.5
Total return per ordinary share	**109.0**	**42.1**

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	2015 £'000	2014 £'000
Final dividend (12.0p) for the year ended 31 July 2013	18 October 2013	20 November 2013	–	2,447
Interim dividend (5.0p) for the year ended 31 July 2014	4 April 2014	25 April 2014	–	1,020
Final dividend (12.5p) for the year ended 31 July 2014	17 October 2014	21 November 2014	2,549	–
Interim dividend (5.5p) for the year ended 31 July 2015	7 April 2015	24 April 2015	1,129	–
			3,678	**3,467**

The proposed final dividend of 13.0p per share for the year ended 31 July 2015 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

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:

	2015 £'000	2014 £'000
Revenue available for distribution by way of dividend for the year	3,754	3,582
Interim dividend of 5.5p (2014: 5.0p) paid 24 April 2015 (25 April 2014)	(1,129)	(1,020)
Proposed final dividend for the year ended 31 July 2015 of 13.0p (2014: 12.5p) (based on 21,155,541 ordinary shares in issue at 7 October 2015 (2014: 20,390,541))	(2,750)	(2,549)
Undistributed revenue for section 1158 purposes[1]	**(125)**	**13**

1 Undistributed revenue comprises 0.0% (2014: 0.3%) of the total income of £4,842,000 (2014: £4,630,000) (see notes 3 and 4).

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

	2015 Listed Investments £'000	2014 Listed Investments £'000
Valuation at start of year	165,206	164,956
Investment holding gains at start of year	(30,081)	(40,350)
Cost of investments at start of year	**135,125**	**124,606**
Purchases at cost	89,613	95,574
Sales at cost	(76,138)	(85,055)
Cost of investments at end of year	**148,600**	**135,125**
Investment holding gains at end of year	43,694	30,081
Valuation at end of year	**192,294**	**165,206**

Total transaction costs amounted to £205,000 (2014: £178,000) of which purchase transaction costs for the year ended 31 July 2015 were £150,000 (2014: £84,000) and comprise mainly brokers' commissions. Sale transaction costs for the year ended 31 July 2015 were £55,000 (2014: £94,000).

12 Debtors

	2015 £'000	2014 £'000
Withholding tax recoverable	455	584
Sales for future settlement	–	112
Prepayments and accrued income	10	80
	465	**776**

Notes to the Financial Statements (continued)

13 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Bank loans (see note 15.1.3)	8,009	2,931
Purchases for future settlement	228	–
Management fee	389	643
Performance fee	878	78
Loan interest payable	–	2
Other accruals	61	70
	9,565	**3,724**

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

The net asset value per ordinary share of 895.0p (2014: 803.2p) is based on the net assets attributable to ordinary shares of £185,755,000 (2014: £163,771,000) and on 20,755,541 (2014: 20,390,541) ordinary shares in issue at the year end. There were no shares held in Treasury at the year end (2014: nil).

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

	2015 £'000	2014 £'000
Total net assets attributable to the ordinary shares at 1 August	163,771	158,645
New shares allotted	3,318	–
Total net return on ordinary activities after taxation	22,344	8,593
Dividends paid on ordinary shares in the year	(3,678)	(3,467)
Total net assets attributable to the ordinary shares at 31 July	**185,755**	**163,771**

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 Henderson coordinate the Company's risk management and there are various risk management systems in place as detailed below:

- straight-through processing via a deal order and management system ("OMS") is utilised for listed securities, exchange-traded derivatives and OTC derivatives contracts with connectivity to third-party affirmation and trade repository services;
- portfolio modelling and investment management functions (including order-raising, dealing and trade execution) are performed using one of, or a combination of, the following third-party software applications: Charles River Development OMS and/or Imagine;
- fund pricing and accounting services are outsourced to a third-party administrator (currently BNP Paribas Securities Services) which utilises HiPortfolio software;
- the IT tools to which the Henderson Risk, Compliance and Operations teams have access for independent monitoring and risk measurement purposes include:
  - Charles River Compliance module for investment restrictions monitoring;
  - Arc Logics operational risk database;
  - Riskmetrics for VaR statistics, stress-testing and back-testing;
  - UBS Delta, Style Research, Finanalytica and Barra Aegis for market risk measurement;
  - Bloomberg for market data and price-checking, and
  - HiPortfolio for portfolio holdings and valuations.

These are supplemented by in-house developments: Derivatives Risk and Compliance database ("DRAC") and Counterparty Exposure ("CER") reports.

Notes to the Financial Statements (continued)

15 Risk management policies and procedures (continued)

The Board determines the objectives, policies and processes for managing the risks, and these are set out below under the relevant risk category. 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 less risky 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). 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 risks (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 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 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 2015 on its investments held at fair value through profit or loss was £192,294,000 (2014: £165,206,000).

Concentration of exposure to market price risks

An analysis of the Company's investment portfolio is shown on page 8. There is a concentration of exposure to Germany, France and Switzerland, though 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 equity, to an increase or decrease of 20% (2014: 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 balance sheet date, with all other variables held constant.

	2015		2014	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Income statement – return after tax				
Revenue (loss)/return	(50)	50	(43)	43
Capital return/(loss)	38,259	(38,259)	32,869	(32,869)
Total return after tax for the year	**38,209**	**(38,209)**	**32,826**	**(32,826)**
Impact on net assets	**38,209**	**(38,209)**	**32,826**	**(32,826)**

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, income and expenses 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

Henderson monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board at each Board meeting. 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 rate to which the Company's assets, liabilities, income and expenses are exposed.

Foreign currency borrowings may be used as a partial hedge for 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 net asset 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 2015 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.

Exposure to other currencies in the tables below includes Danish Krone and Norwegian Krone.

2015	Euro £'000	Swiss Franc £'000	Swedish Krona £'000	Other £'000
Creditors (amounts due to brokers, bank loans, interest payable)	(3,770)	(4,467)	–	–
Cash at bank and on deposit	2,001	–	–	–
Amounts due from brokers	–	–	–	–
Total foreign currency exposure on net monetary items	**(1,769)**	**(4,467)**	**–**	**–**
Investments at fair value through profit or loss	138,467	32,654	13,980	7,193
Total net foreign currency exposures	**136,698**	**28,187**	**13,980**	**7,193**

2014	Euro £'000	Swiss Franc £'000	Swedish Krona £'000	Other £'000
Creditors (amounts due to brokers, bank loans, interest payable)	–	(2,933)	–	–
Cash at bank and on deposit	1,333	10	–	25
Amounts due from brokers	112	–	–	–
Total foreign currency exposure on net monetary items	**1,445**	**(2,923)**	**–**	**25**
Investments at fair value through profit or loss	103,218	36,380	8,922	16,686
Total net foreign currency exposures	**104,663**	**33,457**	**8,922**	**16,711**

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

Notes to the Financial Statements (continued)

15 Risk management policies and procedures (continued)

15.1.2 Currency risk (continued)

Foreign currency sensitivity

The following table illustrates the sensitivity of the total return 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/Euro, Sterling/Swiss Franc, Sterling/Swedish Krona, Sterling/Other.

It assumes the following changes in exchange rates:

Sterling/Euro +/- 10% (2014: 10%).
Sterling/Swiss Franc +/- 10% (2014: 10%).
Sterling/Swedish Krona +/- 10% (2014: 10%).
Sterling/Other +/- 10% (2014: 10%).

These percentages are deemed reasonable based on the average market volatility in exchange rates in the previous twelve months. The sensitivity analysis is based on the Company's foreign currency financial assets and financial liabilities held at each balance sheet date.

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

	2015				2014			
	Euro £'000	Swiss Franc £'000	Swedish Krona £'000	Other £'000	Euro £'000	Swiss Franc £'000	Swedish Krona £'000	Other £'000
Income Statement – net return after taxation								
Revenue return	270	63	59	30	260	132	35	56
Capital return	15,108	3,116	1,545	796	11,570	3,698	986	1,847
Change in total return after taxation for the year and shareholders' funds	**15,378**	**3,179**	**1,604**	**826**	**11,830**	**3,830**	**1,021**	**1,903**

If Sterling had appreciated against the currencies shown, this would have had the following effect:

	2015				2014			
	Euro £'000	Swiss Franc £'000	Swedish Krona £'000	Other £'000	Euro £'000	Swiss Franc £'000	Swedish Krona £'000	Other £'000
Income Statement – net return after taxation								
Revenue return	(220)	(52)	(48)	(25)	(214)	(108)	(29)	(47)
Capital return	(12,362)	(2,550)	(1,264)	(651)	(9,466)	(3,025)	(807)	(1,511)
Change in total return after taxation for the year and shareholders' funds	**(12,582)**	**(2,602)**	**(1,312)**	**(676)**	**(9,680)**	**(3,133)**	**(836)**	**(1,558)**

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:

	2015 Total (within one year) £'000	2014 Total (within one year) £'000
Exposure to floating interest rates:		
Cash at bank	2,561	1,513
Amounts due from broker	–	112
Creditors:		
Borrowings under multi-currency loan facility	(8,009)	(2,931)
Amounts due to broker	(228)	–
	(5,676)	**(1,306)**

Interest rate sensitivity

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

Loan sensitivity: Borrowings vary throughout the year as a result of the Board's borrowing policy. Borrowings at the year end were £8,009,000 (2014: £2,931,000) (note 13) and if that level of borrowings was maintained for a full year, then a 100 basis points change in LIBOR (up or down) would decrease or increase total net return on ordinary activities after taxation by approximately £80,000 (2014: £29,000).

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 £15 million of which £8,009,000 (2014: £2,931,000) 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 Henderson as to the maximum amount 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:

	2015 Due within one month £'000	2014 Due within one month £'000
Bank loans (including accrued interest)	8,010	2,934
Other creditors and accruals	1,556	791
	9,566	**3,725**

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 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 are 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 balance sheet at their fair value (investments) or the balance sheet amount is a reasonable approximation of fair value due to their short term to maturity (amounts due from brokers, dividends 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 sets out fair value measurements using the FRS 29 fair value hierarchy.

Financial assets at fair value through profit or loss at 31 July 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	192,294	–	–	192,294
Total	**192,294**	**–**	**–**	**192,294**

Financial assets at fair value through profit or loss at 31 July 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	165,206	–	–	165,206
Total	**165,206**	**–**	**–**	**165,206**

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

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

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

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data

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

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 as at the year-end date.

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 at 31 July 2015 comprised its equity share capital, reserves and bank loans that are shown in the balance sheet at a total of £193,764,000 (2014: £166,702,000).

Notes to the Financial Statements (continued)

15 Risk management policies and procedures (continued)

15.6 Capital management policies and procedures (continued)

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 buy back 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's objectives, policies and processes for managing capital are unchanged from the preceding accounting year.

The Company is subject to additional externally imposed capital requirements:

- under the multi-currency facility total borrowings not to exceed 30% of the total market value of the portfolio and the net asset value not to fall below £75,000,000;
- As a public company, the Company has a minimum issued 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 unchanged since last year, and the Company has complied with them.

16 Called up share capital

	Number of shares entitled to dividend	Total number of shares	Nominal value of shares £'000
Ordinary shares of 5p each authorised		75,000,000	3,750
Balance at the start and end of the year ended 31 July 2014	20,390,541	20,390,541	1,020
New shares issued in the year	365,000	365,000	18
At 31 July 2015	**20,755,541**	**20,755,541**	**1,038**

During the year the Company issued 365,000 shares for a total of £3,318,000 after deduction of issue costs (2014: none).

17 Share premium account

	2015 £'000	2014 £'000
At start of year	33,814	33,814
Ordinary shares issued in year	3,335	–
Issue costs	(35)	–
At 31 July	**37,114**	**33,814**

Since 31 July 2015, a further 400,000 shares have been issued (2014: none).

Notes to the Financial Statements (continued)

18 Reserves

	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on investments held £'000	Capital reserves total £'000	Revenue reserve £'000
At 1 August 2014	263	93,783	30,081	123,864	4,810
Transfer on disposal of assets	–	6,244	(6,244)	–	–
Net movement on investments held at fair value through profit or loss	–	(130)	19,857	19,727	–
Net movement on foreign exchange	–	692	–	692	–
Expenses and finance costs charged to capital	–	(1,829)	–	(1,829)	–
Final dividend for the year ended 31 July 2014 (paid 21 November 2014)	–	–	–	–	(2,549)
Net revenue return after taxation for the year	–	–	–	–	3,754
Interim dividend for the year ended 31 July 2015 (paid 25 April 2015)	–	–	–	–	(1,129)
At 31 July 2015	**263**	**98,760**	**43,694**	**142,454**	**4,886**

	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on investments held £'000	Capital reserves total £'000	Revenue reserve £'000
At 1 August 2013	263	78,503	40,350	118,853	4,695
Transfer on disposal of assets	–	13,704	(13,704)	–	–
Net movement on investments held at fair value through profit or loss	–	2,196	3,434	5,630	–
Net movement on foreign exchange	–	386	1	387	–
Expenses and finance costs charged to capital	–	(1,006)	–	(1,006)	–
Final dividend for the year ended 31 July 2013 (paid 20 November 2013)	–	–	–	–	(2,447)
Net revenue return after taxation for the year	–	–	–	–	3,582
Interim dividend for the year ended 31 July 2014 (paid 25 April 2014)	–	–	–	–	(1,020)
At 31 July 2014	**263**	**93,783**	**30,081**	**123,864**	**4,810**

Notes to the Financial Statements (continued)

19 Reconciliation of net return on ordinary activities before finance charges and taxation to net cash inflow from operating activities

	2015 £'000	2014 £'000
Net return on ordinary activities before finance charges and taxation	22,889	9,129
Capital return before finance charges and taxation	(18,635)	(5,062)
Revenue return on ordinary activities before finance charges and taxation	**4,254**	**4,067**
Decrease/(increase) in prepayments and accrued income	70	(48)
Increase in accruals	537	144
Tax on unfranked investment income deducted at source	(797)	(801)
Expenses allocated to capital	(1,784)	(955)
Net cash inflow from operating activities	**2,280**	**2,407**

20 Analysis of changes in net funds

	At 1 August 2014 £'000	Cash flow £'000	Exchange movements £'000	At 31 July 2015 £'000
Cash at bank	1,513	968	80	2,561
Debt falling due within one year	(2,931)	(5,690)	612	(8,009)
Total	**(1,418)**	**(4,722)**	**692**	**(5,448)**

	At 1 August 2013 £'000	Cash flow £'000	Exchange movements £'000	At 31 July 2014 £'000
Cash at bank	3,520	(1,863)	(144)	1,513
Debt falling due within one year	(8,229)	4,729	569	(2,931)
Total	**(4,709)**	**2,866**	**425**	**(1,418)**

21 Transactions with the Manager

Under the terms of an agreement effective from 22 July 2014 (which replaced the agreement dated 14 December 2005 in order to reflect the appointment of an Alternative Investment Fund Manager in accordance with the requirements of the Alternative Investment Fund Managers Directive), the Company appointed a wholly owned subsidiary company of Henderson Global Investors (Holdings) plc ('Henderson') to provide investment management, accounting, company secretarial and administrative services. 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 4. The total of the management fees paid or payable under this agreement to Henderson in respect of the year ended 31 July 2015 was £1,132,000 (2014: £1,096,000) of which £389,000 (per note 13) was outstanding at 31 July 2015 (2014: £643,000).

A performance fee is also payable to Henderson for the year ended 31 July 2015 amounting to £878,000 (2014: £78,000). These amounts were outstanding at the respective balance sheet dates as per notes 5 and 13.

In addition to the above services, Henderson has provided the Company with sales and marketing services during the year. The total fees, including VAT paid or payable for these services for the year ended 31 July 2015 amounted to £45,000 (2014: £24,000) of which £5,000 was outstanding at 31 July 2015 (2014: £8,000).

General Shareholder Information

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 13) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Equality Act 2010

Copies of this report and other documents issued by the Company are available from the Company 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, Computershare Investor Services PLC, 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 0870 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.

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 Financial Conduct Authority's ("FCA") rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

ISA

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

Share price listings

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

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

Performance details/share price information

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

Shareholder details

Shareholders who hold their shares in certificated form can check their shareholding with the Registrar, Computershare Investor Services PLC, 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.

Alternative Investment Fund Managers Directive (Unaudited)

Alternative Investment Fund Managers Directive Disclosures

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

The periodic disclosures to investors are made below:

- information on the investment strategy, geographic and sector investment focus and principal stock exposures are included in the Strategic Report. A full list of portfolio holdings is included on page 58;
- none of the Company's assets are subject to special arrangements arising from their illiquid nature;
- the Strategic Report and note 15 to the financial statements set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the year under review and no breaches of any of the risk limits set, with no breach expected;
- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by Henderson; and
- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. It is therefore anticipated that the Henderson Remuneration Policy and associated financial disclosures will be made with the Company's Annual Report from 2016 following Henderson's first full performance year after the introduction of the AIFMD.

Leverage

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

These are essentially the same other than the commitment method allows derivative instruments to be netted off to reflect "netting" or "hedging arrangements". Non-sterling cash is deemed to carry a currency exposure so is considered to be leverage. In accordance with the AIFMD the Company is obliged to disclose the maximum expected leverage levels under both methods and this is disclosed on page 56. In order to comply with the AIFMD the maximum leverage levels have been set in accordance with the maximum gearing allowable by the Company's Articles of Association.

However, the day-to-day management of gearing and leverage levels will be conducted within the tighter limits set by the Company's investment policy.

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

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

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

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

- include the sum of all non-derivative assets (if applicable) held at market value, plus the absolute value of all such liabilities;
- exclude cash and cash equivalents which are highly liquid investments held in the base currency of the Company, that are readily convertible to a known amount of cash, which are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three month high quality bond;
- include derivative instruments which are converted into the equivalent position in their underlying assets;
- exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;

Alternative Investment Fund Managers Directive (Unaudited) (continued)

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

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

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

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

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

	As a percentage of net asset value	
	Gross method %	Commitment method %
Maximum level of leverage	275	275
Actual	104	104

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

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

Henderson EuroTrust plc
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