TR European Growth Trust PLC

Annual Report 2020

MANAGED BY
Janus Henderson
INVESTORS

Front cover: DFDS Delft Seaways

This page: DFDS Ficaria Seaways unloading, Gothenburg

DFDS

Percentage of portfolio: 2.3%

Activity: Industrial transportation

Geographical area: Denmark

DFDS moves freight and passengers on ferry routes in Europe and provides transport and logistics solutions for a wide range of businesses

Strategic Report

Governance

Financial Statements

Additional information

Performance highlights at 30 June

NAV per share at year end[1]

2020 1,044.48p

2019 1,039.79p

Share price at year end

2020 844.00p

2019 892.00p

Dividend for year[2]

2020 22.00p

2019 22.00p

Dividend yield[3]

2020 2.61%

2019 2.47%

Ongoing charge for year[4]

2020 0.73%

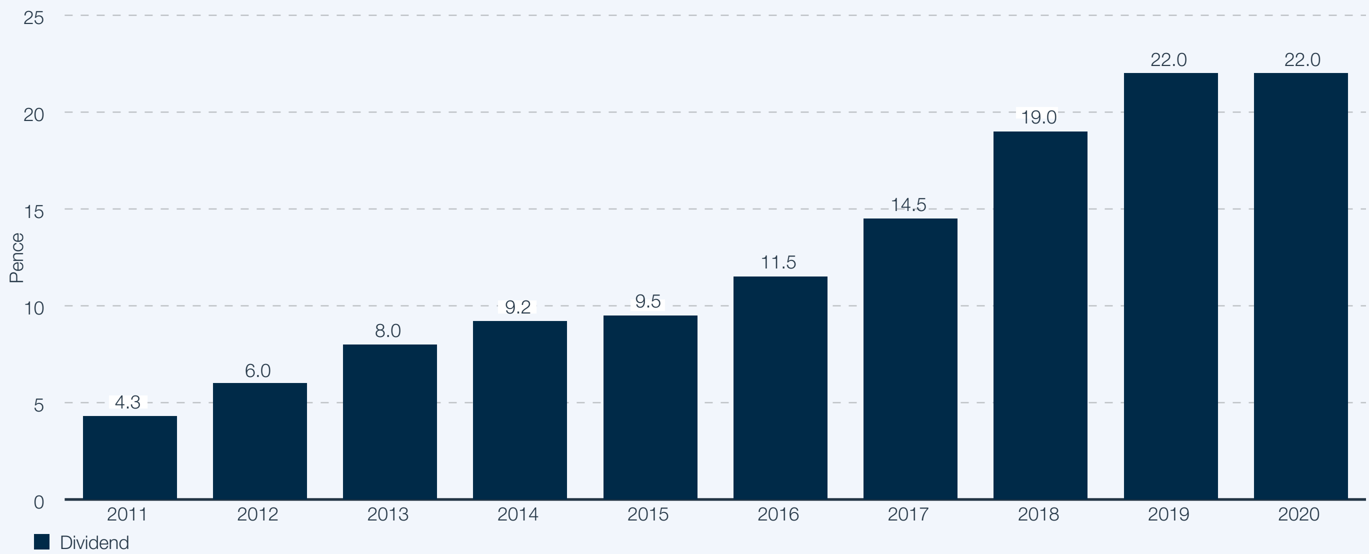
2019 0.72%

Gearing at year end

2020 9.5%

2019 11.4%

Dividends paid



1. Net Asset Value ('NAV')
2. Includes the interim dividend paid on 17 April 2020 and final dividend recommended to shareholders for approval
3. Based on the total dividend and share price at the end of the year
4. Calculated using the methodology prescribed by the Association of Investment Companies ('AIC')

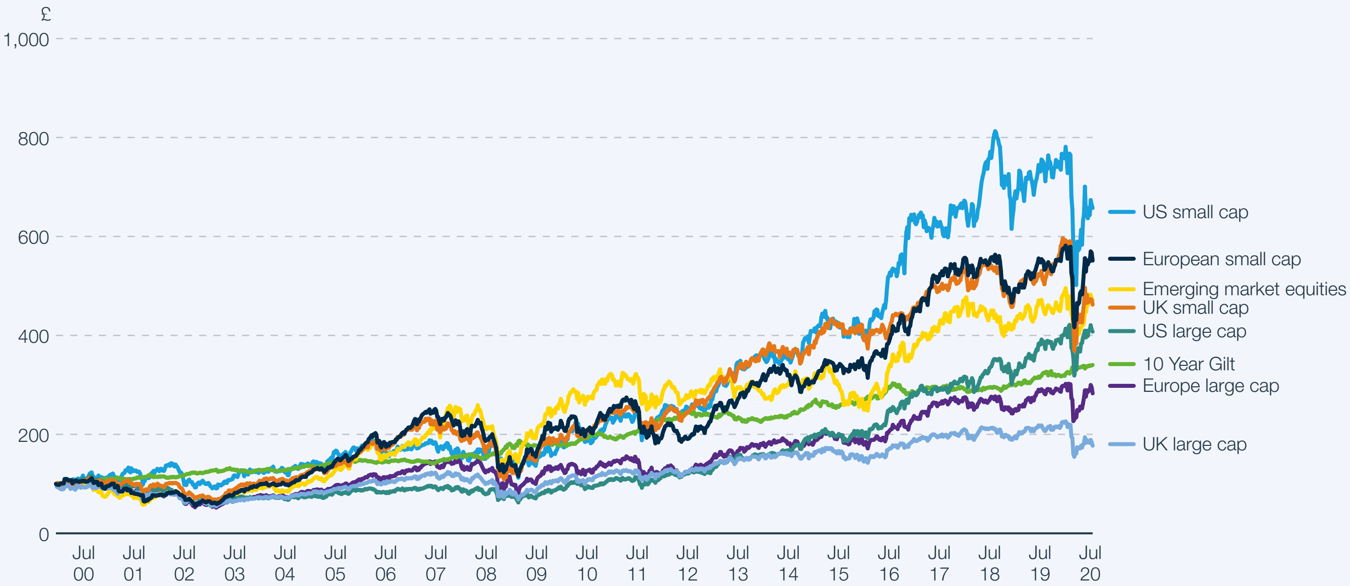
Sources: Morningstar Direct, Janus Henderson, Refinitiv Datastream

A glossary of terms can be found on page 77

European small cap: the investment proposition

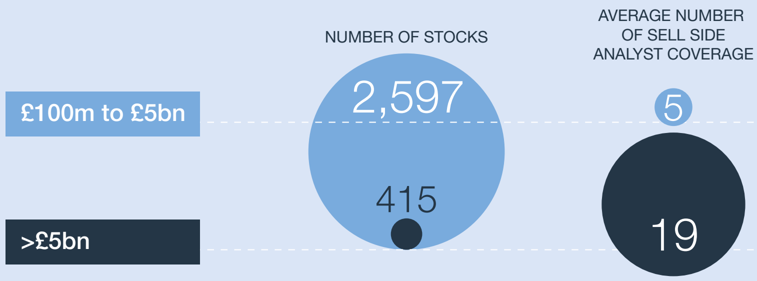
Why invest in TR European Growth Trust PLC?

Smaller companies have historically outperformed

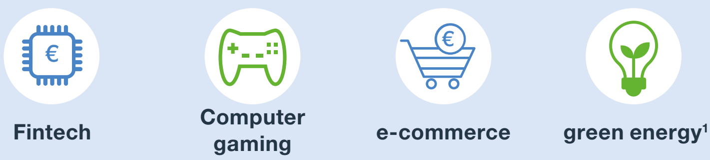


Less well covered area of the market

Europe ex UK

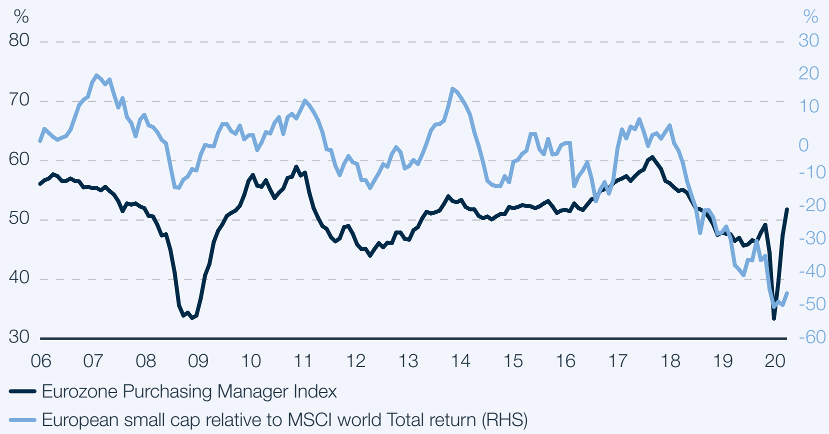


The smaller companies sector is an imperfect market which is ideal for active fund management. It offers exposure to high growth niches such as:



1 without legacy brown energy

Region is leveraged to an improving economy



Greater growth at a lower valuation

	Developed market valuations	
	Price to book (X)	2021 forecast EPS Growth (%)
US large cap	5.3	28.1
US small cap	3.5	40.1
Continental Europe large cap	3.5	37.1
UK large cap	3.4	33.8
UK small cap	2.9	35.3
Continental Europe small cap	2.7	46.8

Going forward growth will be aided by recovery/green fund

The EU has announced:

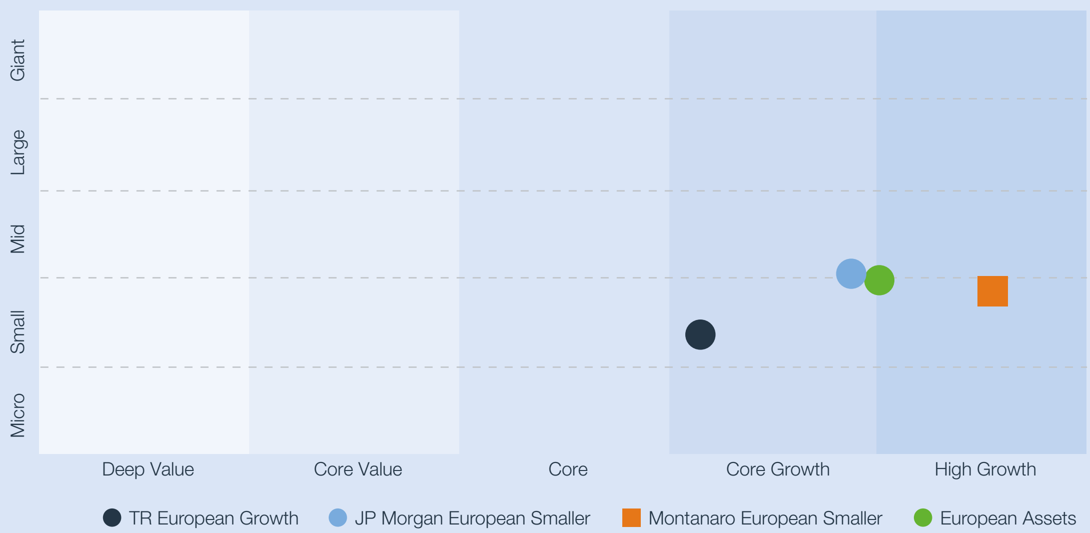
‘Next Generation EU’; amounting to €750bn

€390bn grants
+
€360bn loans

The spending will be focused on digital and green infrastructure. This marks the first-ever mutually financed stimulus programme and lays the framework for a period of greater political stability on the Continent.

A true smaller companies investment proposition offering a balanced portfolio

Holdings based style trail (AIC European smaller companies sector)



Valuation remains relevant

Chairman's statement

> "The ability to maintain the dividend demonstrates one of the many benefits of the Company's business model...."

The Chairman of the Board, **Christopher Casey** reports on the year to 30 June 2020

S.O.I.T.E.C 1.8% of the portfolio Geographical area: France
Design and manufacture of semiconductor materials in the microelectronics industry

Chairman's statement

When I last wrote to you in the half-year update, the economic outlook for the second half of the Company's financial year was by no means certain. The first half had been marked by increasing volatility driven by a slow-down in global growth, Sino-American trade wars and Brexit. All this paled in comparison with what was to come when cases of Covid-19 infections were confirmed outside of China.

During March 2020 global stocks saw a downturn of at least 25%, and 30% in most G20 nations. The pandemic is inflicting rising human costs worldwide and the necessary protection measures are severely impacting economic activity. Global growth is projected at minus 4.9%[1] in 2020, signalling the worst recession since the Great Depression.

In a climate of rapid economic decline, dividend cuts and financial regulators requesting companies to postpone the payment of dividends, it is worth taking stock of the Company's position:

- we have £24.0m in revenue reserves, equating to 2.2 times dividend cover excluding the proposed final dividend, and can make further distributions of £349.7m from the capital reserve;
- our closed end nature means our Fund Manager can, and has been, making long-term investment decisions; and
- our investment objective of capital growth, eliminates the constraints of chasing income.

The Fund Manager's report on pages 8 and 9 sets out in more detail the composition of the Company's portfolio and how it is positioned to weather the current economic conditions.

Performance

The NAV total return performance for the year to 30 June 2020 was 3.0%, 2.7% ahead of the benchmark and 0.1% ahead of the AIC sector average for the same period. In testament to the long term and active management approach of the Company's investment proposition, the annualised NAV total return performance is 12.2% over ten years, 1.5% ahead of the benchmark, although 0.7% behind the AIC sector average.

Our Fund Manager's guiding principle of what a company is fundamentally worth, helped them outperform through the worst of the lockdown measures in Europe, when a focus on short term momentum would have proved to have been very costly. The diversity in holdings, with a mixture of early stage companies that benefited from the acceleration in structural trends in areas such as online retailing, more than offsetting any cyclical bias in the portfolio.

Discount

For most of the Company's financial year, the discount to net asset value maintained a range between 10.0%-15.0%. March proved very volatile with the discount narrowing to 7.6% before widening dramatically to 22.5%, reflecting market conditions as Covid-19 took hold in Europe and the US. It briefly returned within the former range before widening again towards the end of May and finishing the financial year at 19.2%. We anticipate that the discount will narrow as the European economy recovers from the worst of the Covid-19 pandemic and the better performance of the portfolio is recognised. Even in the current environment the fund management team and Manager's sales and marketing personnel are working hard to get the Company's investment proposition to investors who are receptive to the narrative.

The discount, in part, reflects the nature of the asset class together with the perceived risk associated with it.

Dividend

The Board is proposing a final dividend of 14.20p to shareholders at the 2020 Annual General Meeting. Together with the interim dividend of 7.80p this brings the total dividend for the year to 22.00p, keeping the dividend in line with last year. This is no small feat given the cuts to dividends which many companies are making.

The ability to maintain the dividend demonstrates one of the many benefits of the Company's business model, being its revenue reserve. This is investment income which the Board has set aside each year, after distributing at least 85% of the income generated during the period to shareholders, with a view to using these funds to smooth dividend payments in extreme market conditions. In making the decision to use the revenue reserve, the Board has considered the Company's financial position and the outlook for the economic recovery over the coming few years. We believe this is an appropriate course of action at this point in time and will continue to rigorously evaluate the use of the revenue reserve when making future dividend recommendations.

Succession planning

Two new directors were welcomed to the Board during the year; Ann Grevelius and Dan Burgess, and we said goodbye to Audley Twiston-Davies, who had been Chairman of the Board for many years. The changes formed part of the Board's ongoing succession planning.

As part of these plans, Andrew Martin Smith was due to retire from the Board by the time of the 2020 Annual General Meeting. Given the severity of the economic conditions resulting from the Covid-19 pandemic and taking account of Andrew's experience of the closed end sector, I have, with the unanimous support of the directors, asked Andrew to remain on the Board for one more year as markets, central banks and governments navigate their way through the worst of the economic effects of the pandemic.

We will be evaluating the further steps in our succession planning in the first half of 2021 and I look forward to reporting to you in this respect in due course.

1 IMF World Economic Update June 2020

Chairman's statement (continued)

Annual General Meeting

The Company's annual general meeting will be held at 12.30 pm on Monday 23 November 2020. As restrictions on public gatherings remain in place and with the safety of our attendees foremost in our minds, we invite shareholders to attend the meeting via Zoom webinar. The Fund Manager will present his usual review of the year and provide an update on the positioning of the portfolio. He and your directors will be available to answer your questions as usual. Details of the meeting and how to attend are set out in the Notice of Meeting, which is enclosed with this document.

I urge all shareholders to complete and return their proxy form, or get in touch with their share dealing platform to instruct them to vote your shares, as votes will be taken on a poll rather than a show of hands as we have done in the past.

Outlook

The Company has performed well in very volatile stock market conditions during the second half of the financial year. Our Fund Manager's investment process, with its emphasis on a mix of growth and self-help stocks, overlaid with valuation discipline, has been beneficial in these unprecedented times. The expansionary monetary and fiscal policies being embraced worldwide, and noticeably in Europe for the first time since the global financial crisis of 2008, suggest that in years to come inflation could play a bigger role in the economy than has been the case for a few decades. This may well drive a change from the growth led stock market of recent years and the Board is reassured that the diversity of the Company's portfolio should provide scope for investment performance in such circumstances. European smaller companies continue to be an attractive area of global markets and we believe our fund management team have ample opportunity for finding good investments in which to deploy your capital.

Christopher Casey
Chairman
7 October 2020

Fund Manager's Report

Ollie Beckett
Fund Manager

Rory Stokes
Deputy Fund Manager

Julia Scheufler
Analyst

HelloFresh 2.0% Geographical area: Germany
Provider of meal-kits with a presence in Europe, the US, Australia and New Zealand

Fund Manager's report

Introduction

The financial year ending June 2020 was a reasonable period for the Company, with strong performance compared to the benchmark despite a particularly volatile and unusual set of circumstances. The Company's portfolio generated a positive total return of 3.0% compared to the benchmark which delivered 0.3%. Trade wars, Brexit and European politics paled in significance compared to the ravages of Covid-19 which shut down the global economy as the virus swept from China, through Europe and on to the US in the second half of the financial year.

We have often shared our disappointment in the behaviour of monetary and fiscal policymakers but in this particular crisis, their rapid reaction of monetary and fiscal loosening combined with constructive policy choices hugely cushioned the global economy and avoided serious damage to the financial system. Healthcare policy responses have perhaps not been as uniformly praiseworthy and a distressing number of people have died.

Thanks to the rapid economic response to the virus, the initially savage drop in the stock market was promptly followed by a dramatic bounce from mid-March onwards. We maintained our valuation discipline in the market dislocation and took the opportunity to buy some great businesses at good prices and some good businesses at great prices. As a result, the Company delivered very strong performance in the market recovery.

The portfolio

We aim to balance a mix of early stage growth businesses, sensibly-priced structural growth stocks, mis-priced value names and self-help turn around stories in the portfolio. Despite valuation having been out of vogue as a stock market discipline for the last decade, we remain keenly valuation aware. We very much care what price we pay when we deploy investors' capital. Our aim is to use the balance within the portfolio to capture a range of different drivers of performance, rather than focusing on just capturing one factor such as momentum or growth.

Additions to our early stage growth names include video conferencing software designer **Pexip**. The Norwegian-listed business offers the only product that can operate between all the main competing video conferencing platforms and has shown rapid top-line growth. Additions to sensibly-priced structural growth names include Swiss-listed **Interroll**, a company that provides material handling solutions that underpin the shift to an eCommerce-driven economy. We have supplemented these names with stocks in more mature sectors such as Swiss-listed glass bottle manufacturer **Vetropack**. As Europe shifts away from using plastic, there is a big opportunity for glass packaging and we believe that well invested, well located players like **Vetropack** have the potential to thrive. We also have invested in turnaround names such as **eDreams**. The Spanish online travel company has been hit hard by the global slowdown unleashed by Covid-19, but we believe it is in a position to take advantage of the global recovery thanks to a strong management team, a high variable cost base and good market position.

Performance attribution

In the year ending June 2020 the Company benefited from its exposure to early stage growth stocks that are maturing into structural growth names. Food delivery platform **HelloFresh** was the top contributing name that benefited from consumers shifting to home delivery of groceries, a trend accelerated by the global lockdowns that have occurred. Swiss online pharmacy company **Zur Rose** was another benefactor of this trend and was given an additional boost by liberalisation of the pharmaceutical prescription process in Germany. The Company further benefited from owning German specialty pharmaceutical wholesaler **Medios**, a company that had been cheap and neglected by the stock market, but whose terrific attributes were revealed with the oxygen of increasing sell side coverage over the course of the year.

Detractors from performance were typically in unfashionable and more cyclical sectors such as industrials and banks, or the rare holding suffering from stretched balance sheets. Dutch private bank **Van Lanschot Kempen** struggled as interest rate cuts hit net interest income and regulators prevented the bank from distributing dividends despite a rock solid balance sheet. We view the shares as very cheap and the dividend as delayed rather than dead. French flooring manufacturer **Tarkett** suffered from raw material headwinds that abated into the severe slow down caused by Covid-19, which, combined with a large but not unmanageable debt burden, has left the stock largely ignored by investors. We see value and a clear path to balance sheet repair so have maintained our holding. Spanish media conglomerate **Promotora de Informaciones** also suffered after the anticipated disposal of Media Capital fell through leaving the balance sheet stretched as Covid-19 hurt revenues. The business has adequate liquidity and is at a substantial discount to the underlying sum of the parts so we maintain our holding.

Geographical and sector distribution

Our investment process is fundamentally one of bottom-up stock picking, rather than allocating capital to specific sectors or geographies, although we keep a keen eye on the overall portfolio structure in order to avoid risky concentrations. We do not use the benchmark as a guide to structure and are content to run the portfolio with substantial divergence from the benchmark.

At a geographical level, the Company remains overweight in Germany and the Netherlands, and has built a reasonably large overweight position in France. We remain underweight in Spain and Austria, where we have struggled to find attractively valued opportunities for a few years. In Germany we initiated a position in **Software AG** where the transition to a subscription model and a renewed emphasis on growth is beginning to deliver benefits. In the German space we also added

Fund Manager's report (continued)

connection technology company **Norma**, as we feel that the market has valued shares purely on the company's automotive exposure despite a very resilient water management component; we like the optionality associated with an automotive recovery and what we perceive to be the market's under-valuation of the shares. In the Netherlands we added semiconductor equipment manufacturer **ASM International** as we see its Atomic Layer Deposition technology as a strategic asset in the ongoing improvement in semiconductor performance. In France we have added smart safety systems provider **Groupe Gorge** as we believe this family company is undervalued and well positioned to win more orders in robotics and mine detection, with interesting optionality on 3D printing technology, as being well exposed to structural growth areas.

At a sector level, we remain overweight technology, consumer discretionary and industrials. Additions to technology names include German semiconductor equipment manufacturer **Aixtron** where we think the company is well exposed to potential growth areas such as opto-electronics and OLED (organic light emitting diode) screens. In consumer discretionary we have added Italian-listed **Piaggio**, the owner of the Vespa brand. We believe the company is well placed to benefit from regulations surrounding new engine standards and we expect the impact of Covid-19 to drive sales in the coming years. In the industrials space we added Swedish wire mesh safety solution firm **Troax**. We took the opportunity to purchase the stock at a sensible price in the March market rout and we value its dominant market position. Since March, the stock rallied very strongly and we have subsequently sold the position.

Other purchases

Swedish listed computer game companies **Embracer** and **Stillfront** were added to the portfolio as we like the structural growth characteristics of both companies as well as their exposure to millennial media consumption. We also added **GVS**, Italian manufacturer of specialist filtration products, where we have seen a strongly growing consumable business that near term will likely benefit from its production of disposable masks.

Other disposals

We took profits in Irish healthcare services company **UDG** after a dramatic rerating in the company's valuation multiple. We exited our position in Norwegian-listed Salmon farmer **Salmar** due to reservations about demand for salmon with so many of the globe's restaurants closed. Lastly, we sold out of Austrian textile manufacturer **Lenzing** as we became increasingly uncertain about the management's attitude to capital allocation.

Currency

The Company is denominated in Sterling, while investing in largely Euro-denominated assets. We do not hedge this currency exposure.

Outlook

It is clear that the global economy is likely to have its worst year in living memory in 2020. Beyond Covid-19, a bipartisan consensus seems to be building in the US that a trade war with China will continue in some shape or form no matter who wins the US presidential election in November. The trade relationship of the UK with the EU has yet to be settled and could be a further economic shock as the continent begins to recover. Covid-19 may as yet come back with a vengeance in the Autumn.

It is also our view that, as more time passes, the higher the risk becomes to bet against human ingenuity. So many resources are being thrown at testing, treatment and vaccine development capabilities that we are optimistic that good news on the medical front will prevail. If a working vaccine is successfully developed ahead of expectations it is our view that the value/cyclical stocks will perform better.

The policy environment is as constructive for equities as it has been for some time. Relatively loose monetary policy and expansionary fiscal policy is enormously helpful for assisting recovery in Europe. The EU Recovery Fund is a hugely significant initiative; for the first time the EU will issue mutualised debt and could emerge from this crisis increasingly unified. Arguably this could not have occurred without Brexit. The EU is leading the world with its green agenda. The Company is very well placed to benefit from trends such as energy transition, electric vehicles, building efficiency and clean air.

There is scope for a more inflationary environment if the deflationary impact of the Chinese introduction into the global economy abates with US trade action, companies start to invest and European fiscal policy becomes constructive for the first time in over a decade. Furthermore, while online business models have thrived in lockdown, many have found themselves to be capacity constrained, suggesting a capex cycle is required. This may well result in a shift in market vogue from 'growth at any price' to a more value-orientated environment.

Overall this should be a favourable situation for smaller companies and even more so for the value end of the sector.

The portfolio is not a value portfolio but has a healthy mix of cheaper stocks and strong valuation disciplines around the price paid for growth. We continue to find exciting opportunities in this neglected area of the market and believe that it can offer superior investment returns over the medium term, as we have found in the past.

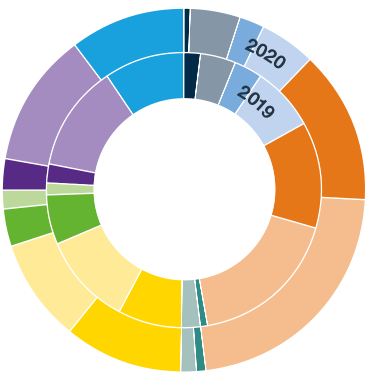
Ollie Beckett, Rory Stokes and Julia Scheufler
7 October 2020

Portfolio Information

Ten largest investments at 30 June 2020

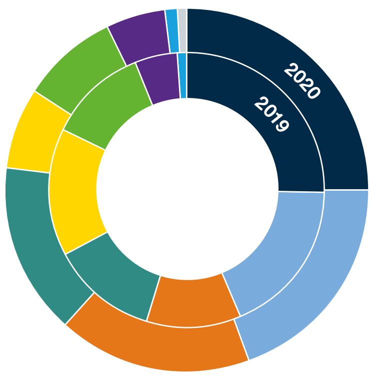
Ranking 2020	Ranking 2019	Company	Principal activities	Geographical area	**Valuation 2020 £'000**	Percentage of portfolio
1	2	TKH	Specialists in the creation and delivery of innovative telecom, building and industrial solutions www.tkhgroup.com	Netherlands	13,786	2.4%
2	3	DFDS	Transportation of freight and passengers on ferry routes in Europe and provider of logistics solutions for businesses www.dfds.com	Denmark	13,439	2.3%
3	4	Nexans	Global leader in advanced cabling and connective solutions www.nexans.co.uk	France	11,898	2.1%
4	86	HelloFresh	Provider of meal-kits with a presence in Europe, the US, Australia and New Zealand www.hellofreshgroup.com	Germany	11,502	2.0%
5	1	Van Lanschot Kempen	Specialist independent wealth management, private and merchant banking www.vanlanschotkempen.com	Netherlands	11,495	2.0%
6	54	Medios	Supplier of specialty pharmaceuticals for patients with rare or chronic diseases www.medios.ag	Germany	10,806	1.9%
7	51	Finecobank	Financial services company specialising in online brokerage www.finecobank.com	Italy	10,802	1.9%
8	11	S.O.I.T.E.C	Design and manufacture of semiconductor materials in the microelectronics industry www.soitec.com	France	10,127	1.8%
9	7	Banca Farmafactoring	Credit management and specialised financial services for health care providers and public administration www.bffgroup.com	Italy	9,642	1.7%
10	34	Outotec	Developer of sustainable technologies, end-to-end solutions and services for the minerals processing, aggregates, metals refining and recycling industries www.outotech.com	Finland	9,049	1.6%
					112,546	**19.7%**

Geographic exposure



	2020 %	2019 %
Austria	0.7	2.0
Belgium	4.3	4.3
Denmark	2.3	3.4
Finland	5.0	7.4
France	13.6	12.5
Germany	22.4	17.8
Greece	0.6	0.7
Ireland	1.5	2.3
Italy	10.6	7.4
Netherlands	9.1	10.9
Norway	3.5	5.9
Portugal	1.6	1.5
Spain	2.6	2.1
Sweden	12.0	12.4
Switzerland	10.2	9.4

Sector exposure



	2020 %	2019 %
Industrial goods	25.2	25.3
Consumer goods	19.5	18.5
Technology	17.2	11.1
Financial	15.1	12.5
Basic materials	8.6	14.9
Business providers	7.4	11.7
Retail providers	5.1	5.0
Natural resources	1.1	1.0
Telecommunications	0.8	–

Historical Information

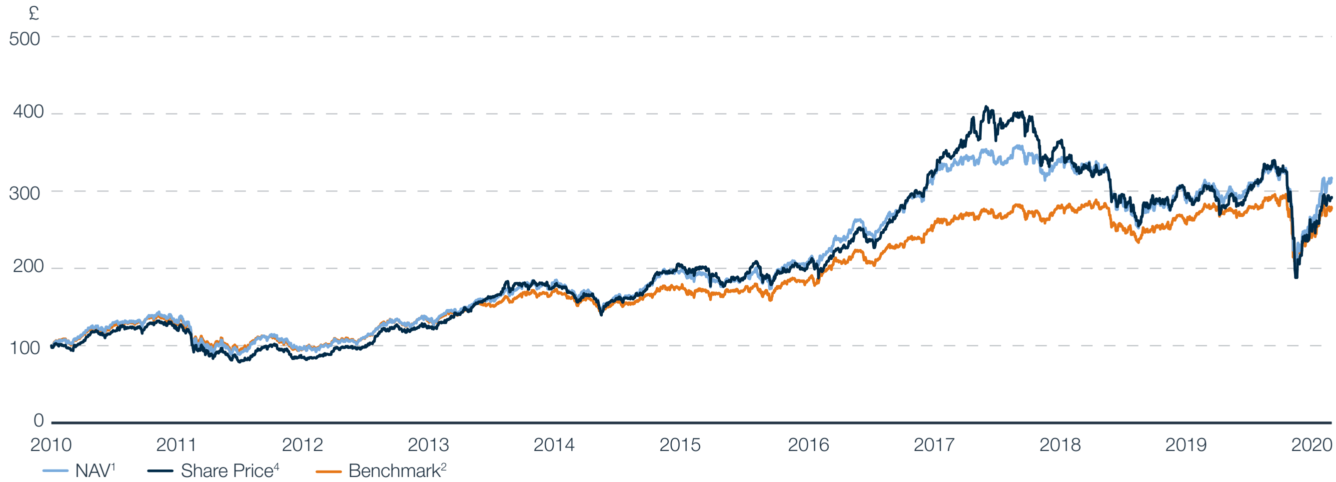
Total return performance to 30 June 2020

(including dividends reinvested and excluding transaction costs)

	1 year %	3 years %	5 years %	10 years %
NAV[1]	3.0	-2.9	69.2	216.3
Benchmark[2]	0.3	7.9	67.2	177.5
Average sector NAV[3]	2.9	13.3	79.6	235.7
Share price[4]	-2.5	-15.4	49.8	192.1
Average sector share price[5]	-1.1	3.9	64.1	242.3

Total return performance compared to the benchmark

(assumes the investment of £100 and reinvestment of all dividends)



Financial information

At 30 June	Net assets £'000	NAV per ordinary share p	Mid-market price per ordinary share p	Discount %	Profit/(loss) for year £'000	Revenue return p	Capital return p	Total return p	Final dividend p	Special/ interim dividend[6] p	Expenses %
2011	264,400	522.2	427.13	18.2	70,917	3.79	135.36	139.15	3.60	0.65	0.75
2012	185,006	370.2	283.00	23.5	(75,149)	6.89	(155.73)	(148.84)	4.50	1.50	0.72
2013	246,124	492.5	409.25	16.9	64,115	9.29	119.00	128.29	6.00	2.00	0.74
2014	325,676	651.7	573.75	12.0	83,548	11.15	156.02	167.17	6.50	2.70	0.69
2015	337,645	675.6	624.00	7.6	16,565	11.34	21.80	33.14	7.00	2.50	0.78
2016	377,683	755.7	620.00	18.0	44,782	13.48	76.12	89.60	9.00	2.50	0.79
2017	569,459	1,145.5	1,071.00	6.5	199,540	17.09	383.67	400.76	11.50	3.00	0.75
2018	574,591	1,146.7	1,020.00	11.0	9,936	22.06	(2.18)	19.88	14.00	5.00	0.71
2019	521,023	1,039.8	892.00	14.2	(42,795)	24.08	(109.49)	(85.41)	14.50	7.50	0.72
2020	**523,374**	**1,044.5**	**844.00**	**19.2**	**13,525**	**11.94**	**15.05**	**26.99**	**14.20**	**7.80**	**0.73**

1 Net Asset Value ('NAV') total return per ordinary share with income reinvested
2 Euromoney Smaller European Companies Index (ex UK) total return and expressed in Sterling
3 The sector is the AIC European Smaller Companies sector
4 Share price total return including dividends reinvested and using mid-market closing price
5 Average share price for the AIC European Smaller Companies sector
6 An interim dividend has been paid since 2018
Sources: Janus Henderson, Morningstar Direct, Refinitiv Datastream

Business Model

Purpose

The Company's purpose is to provide a diversified and cost effective investment proposition to investors, whether small or large, by investing in line with the investment objective.

Investment objective

The Company seeks capital growth by investing in smaller and medium sized companies which are quoted, domiciled, listed or have operations in Europe.

See page 14 which sets out the investment objective and policy in full.

Our approach

The Company is a closed end investment vehicle and is approved as an investment trust under section 1158 of the Corporation Tax Act 2010 ('s.1158'). The day-to-day operations are outsourced to specialised third-party service providers whose activities are overseen by a Board of Directors, the members of which are independent of the investment manager. This approach provides a cost effective mechanism for delivering operations whilst allowing the Company to take advantage of the capital gains treatment afforded to approved investment trusts.

The Company, and the Board, is governed by its Articles of Association, amendments to which must be approved by shareholders by way of a special resolution.

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

RESPONSIBILITIES

Shareholders

Investment objective and policy

The Company's shareholders are its investors. The shareholders approve the Company's investment objective and policy.

Board of Directors

Governance

The Board determines the values and culture of the Company. The Board comprises non-executive directors who are entirely independent of the investment manager. The Board has established a framework of delegation allowing it to maintain effective oversight of the Company's operations. The directors are selected based on their business experience and personal attributes so as to bring a balance of skills to the oversight and decisions taken on behalf of the Company, and to ensure that the investment manager is appropriately challenged.

Appointment of service providers

The Board considers and approves the appointment of all third-party service providers and the terms on which they are engaged. The most important of these appointments is the investment manager. The investment manager is responsible for the management of the portfolio and assists the Board in the day-to-day running of the Company and coordination of the activities of its service providers.

Directors' remuneration

The shareholders approve the appointment of directors and the Company's remuneration policy, determining the overall limit for directors' remuneration.

Monitoring performance

The Board monitors the performance of its third-party service providers throughout the year. Performance of the Company's portfolio is measured using Key Performance Indicators (see pages 20 and 21) and reporting from the fund management team. Other third-party service providers are evaluated against the service levels set out in their individual agreements.

The Board formally considers the continued appointment of each third-party service provider, and the terms on which they are engaged, at least annually.

Risk Management

The Board determines the Company's overall risk appetite and sets investment restrictions accordingly. The Board considers and continually monitors the principal and emerging risks faced by the Company, and ensures that suitable mitigating measures are in place where required to align these with the risk appetite.

Sustainability

The Board believes the business model provides investors with a cost effective mechanism for achieving long term investment goals and builds relationships with third-party service providers with this approach in mind. The Board considers that the benefits of investing in closed end investment vehicles and the ability to outsource to professional investment managers underpins the sustainability of the business model.

Benefits

The Company's business model offers numerous advantages:

- provides investors with access to a professionally and actively managed portfolio of assets;
- offers investors exposure to a unique asset class of European small cap companies;
- enables investors to spread the risks of investing;
- enhances returns to investors by operating as an approved investment trust meaning no capital gains tax is paid on the realisation of investments;
- the closed end structure allows the fund manager to take the longer term view on investments and remain fully invested;
- the Company may use leverage to increase returns for investors; and
- oversight by a Board of Directors wholly independent of the investment manager.

Business model (continued)

Strategy

Our corporate strategy is to offer investors a cost effective investment proposition which provides access to a professionally and actively managed portfolio of investments with unique exposure to small cap European companies.

We achieve this by operating as an investment trust and outsourcing the day-to-day activities to specialised third-party service providers. An investment trust is a closed end, collective investment vehicle designed and managed for long term investment. This approach allows the Company to spread the cost of investing while taking advantage of the tax treatment afforded to approved investment trusts. The Company's operations are overseen by a Board of Directors, the members of which are entirely independent of the investment manager.

Investment objective

The Company seeks capital growth by investing in smaller and medium sized companies which are quoted, domiciled, listed or have operations in Europe (excluding the United Kingdom).

Investment policy

The following investment ranges apply:

- Equities: min. 80% -100%
- Fixed Income and Cash: 0% – 20%

Smaller and medium sized companies are defined as those whose market capitalisation is equal to or below the largest member of the Euromoney Smaller European Companies ex-UK Index at the time of investing.

Investments may include shares, securities and related financial instruments, including derivatives. Unquoted investments are permitted with prior Board approval.

The Company maintains a diversified portfolio. The Company will not invest more than 7% of its total assets, calculated as at the time of investment, in any one holding.

The Company can, but normally does not, invest up to 15% of its gross assets in investment companies (including listed investment trusts). The Company will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of their gross assets in UK listed investment companies.

Derivatives

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

Gearing

Net gearing (defined as all borrowings less cash balances and investments in cash funds) is limited by the Board to a maximum of 30% of net asset value at the time of investment.

With appropriate Board approval, the Company may, but currently does not, hedge against currency movements.

Investment approach and ESG engagement

The Fund Manager and his team employ a bottom-up stock selection approach in constructing the portfolio and continuously monitor the performance of and risks associated with each holding. The approach is designed to deliver the capital growth set out in the investment objective and outperformance against a passive portfolio or the benchmark.

The process involves screening potential investment opportunities, meeting with management teams to understand their businesses and supplementing this with internal and external research. Understanding the business, the threats to its success, its competitive position and quality of the management team in the context of the valuation of the company are key to determining whether an investment is made and also the size of the investment. For businesses in each phase of the company life cycle, the team has clear attributes and valuation metrics for measuring success and seeking out mispriced securities. This is coupled with a sell discipline to ensure underperforming companies are removed from the portfolio.

The approach to incorporating environmental, social and governance ('ESG') considerations into the stock selection process is pragmatic and focuses on the areas that the fund management team believe are the most material to the long-term success of investee companies. The governance structures within which management operate and the incentives it receives, can determine the success of overall value creation. This can be particularly important when looking at turnaround and recovery situations where management teams are often new to the business and their actions, and calibre, are integral to the investment thesis. In undertaking these assessments, the fund management team accesses the following centralised resources:

- Internal Research Platform: Investment teams share relevant ESG research produced in-house by our analysts across a centralised research platform.
- Governance and Responsible Investment team ('GRI team'): The investment team meets and interacts regularly with the internal GRI team to review portfolio ESG risks, obtain additional perspective on issues for an individual company or industry, and to help stay abreast of changing market developments related to ESG.
- External ESG research, data, and ratings: We subscribe to a broad range of specialist external ESG information providers and this information is utilised by the investment team.

Company engagement forms a further key part of assessing management and their ESG standards. The team engages

Business model (continued)

with the senior management of the majority of holdings at least once, and often more than twice, a year. Meetings incorporate a wide range of topics including business strategy, compensation, capital allocation, risks, management succession and environmental and social issues, where relevant.

Another important factor for consideration is how the company treats its shareholders and to what extent shareholders' interests are appropriately protected. The responsiveness of the company towards shareholder concerns can be a crucial signal about its ability to unlock value and distribute it to its owners. If shareholder concerns are not appropriately addressed in engagement, the team may consider disinvesting.

Liquidity and discount management

The Board considers the issuance and buy-back of the Company's shares where prudent, subject always to the overall impact on the portfolio, the pricing of other comparable investment companies and overall market conditions. The Board believes that flexibility is important and that it is not in shareholders' interests to set specific levels of premium and discount for its approach to share issuance or share buy-backs.

Fee arrangements with the Manager

The Company is an Alternative Investment Fund and has appointed Henderson Investment Funds Limited ('HIFL') to act as its Alternative Investment Fund Manager ('AIFM'). HIFL delegates investment management services to Henderson Global Investors Limited. Both entities are authorised and regulated by the Financial Conduct Authority ('FCA') and are part of the Janus Henderson group of companies. References to 'Janus Henderson' or the 'Manager' refer to the services provided to the Company by the Manager's group.

The Manager is engaged under the terms of an agreement effective from 22 July 2014 and amended in 2018. The agreement is terminable on six months' notice.

The fund management team is led by Ollie Beckett, who has been in place since 1 July 2011.

The base management fee is 0.6% of net assets up to £500m, reducing to 0.5% thereafter. Fees are charged quarterly in arrears. The Manager may also be eligible to receive a performance related fee. Performance is measured against, and expressed relative to, the benchmark, the Euromoney Smaller European Companies ex UK Index expressed in Sterling. Performance of the Company and the benchmark is measured on a NAV total return (with gross income reinvested) basis and is measured over a rolling three-year period. In any given year in which a performance fee is payable, the rate is 15% of the positive difference between the average annual NAV total return and the average annual total return of the benchmark. The upper limit on the total fee, including the base fee and any performance fee, for any given accounting year is 2.0% of the NAV of the Company as at the last day of the relevant calculation period. A performance hurdle over the benchmark of 1.0% must be reached before any performance fee can be earned. Performance is measured solely on the basis of NAV total return relative to the total return of the benchmark index. No account is taken of whether the NAV grows or shrinks in absolute terms.

The Manager, and its subsidiaries, provide accounting, company secretarial, sales and marketing and general administrative services to the Company. Some of the administrative and accounting services are carried out, on behalf of the Manager, by BNP Paribas Securities Services. Henderson Secretarial Services Limited acts as the Corporate Secretary.

Promoting the Company's success

The directors' overarching duty is to promote the success of the Company for the benefit of investors, with consideration of stakeholders' interests, as set out in section 172 of the Companies Act 2006 (the 'Act'). The Board regards a well governed business model as essential for the successful delivery of its investment proposition.

To this end, the Board engages reputable third-party service providers with established track records to deliver the day-to-day operations. The most important of these is the Manager, Janus Henderson, and in particular the Fund Manager, Ollie Beckett, who is responsible for the management of the Company's assets in line with the investment objective. The Board maintains a close working relationship with the Manager and holds it to account for the smooth running of the Company's day-to-day business. The Board retains responsibility for decisions over corporate strategy, the Company's governance arrangements and determining the Company's risk appetite.

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

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

Business model (continued)

Engaging with stakeholders

The Board is committed to maintaining open channels of communications with shareholders in a manner which they find most meaningful and with other key stakeholders to ensure they uphold the Board's values in delivering services to the Company.

The table below sets out how the Board engages with each of its key stakeholders.

Stakeholder	Engagement
Shareholders	The Board and Manager work closely together to keep shareholders up to date with the Company's performance and potential shareholders on its investment proposition. • Daily NAVs and monthly factsheets are published to keep shareholders up to date with the value of the portfolio. • Meetings with the Fund Manager and members of his team, or Board members where shareholders prefer, are offered to shareholders and potential shareholders to provide insight into the portfolio. • Information on the Company and video updates from the Fund Manager are made available on the website, via social media channels and through the Manager's HGi platform with a view to keeping shareholders informed on the positioning of the portfolio. • The half-year report and annual report are published to keep shareholders informed on the Company's financial performance, its governance framework and any current issues. • The Fund Manager provides a presentation to shareholders and analysts following publication of the annual financial results with a view to providing insight on the Company's performance. • The Manager and corporate broker run a programme of engagement with wealth managers and other professional investors throughout the year to promote the Company.
Investment manager	The Board maintains a close working relationship with the Manager as this is key to achieving the Company's investment objective and promoting the Company to investors. • The Fund Manager and members of his team attend each Board meeting to provide an update on the performance of the portfolio and to keep the directors in touch with the Fund Manager's view on the markets and positioning of the portfolio. • The Manager provides data on the key performance indicators at each meeting enabling the directors to measure performance. • The Manager demonstrates compliance with the parameters of the investment mandate at each meeting and provides access to senior managers in the Operational Risk and Internal Audit teams enabling the directors to assess the effectiveness of internal controls in operation. • The Heads of Investment Trust Sales and Marketing provide regular presentations to the Board on how the Company is promoted to professional and retail investors.
Third-party service providers	The Board relies on designated staff at the Manager to coordinate the activities of all third-party service providers and ensure the day-to-day smooth running of the Company. • The Board receives regular reporting and presentations from its key third-party service providers throughout the year. • Designated staff at the Manager engage regularly with all third-party service providers through meetings and written reporting, and keep the Board updated with any areas of concern. • The Management Engagement Committee annually reviews the level of services delivered by each service provider and the terms on which they are engaged to ensure that these remain in line with market practice.

Values and culture

The Board expects all directors to act with integrity and to apply their skill, care, due diligence and professional experience in deliberations regarding the Company's business. The Board applies various policies, practices and behaviours to ensure that the culture aligns with the Company's purpose, values and strategy. The Board operates in an open and co-operative manner with the Company's third-party service providers, particularly in light of the long term nature of the Company's investment proposition.

The Board expects the Company's third-party service providers, particularly the Manager who is responsible for the management of the Company's portfolio, to uphold the same values as the Board. To this end, the Board considers the Manager's corporate culture as part of the overall assessment of the service provided to them.

Business model (continued)

Principal risks and uncertainties

The Board, with the assistance of the Manager, carries out a robust assessment of the principal and emerging risks and uncertainties facing the Company which could threaten the business model and future performance, solvency and liquidity of the portfolio. A matrix of these risks, along with the steps taken to mitigate them, is maintained and is kept under regular review. The assessment includes consideration of the possibility of severe market disruption, which this year focused on the impact of the Covid-19 pandemic, and the continuing uncertainty arising from the United Kingdom's negotiations with the European Union on its future partnership and trade agreement.

The Board has met frequently throughout the Covid-19 pandemic to monitor the effects on the portfolio. It is an event which the Board considers will have an ongoing impact on global economies which in turn could affect the performance of the Company's portfolio. The pandemic has triggered a sharp fall in global markets and created uncertainty around future investment income. The outcome of the ongoing partnership and trade negotiations with the European Union may create further uncertainties in respect of the value of Sterling (the Company invests in Euros or other European currencies, but retains Sterling as its base currency) and could alter the dividend withholding tax rates currently in place. Both events may have an impact on the value of the Company's portfolio.

Notwithstanding the current market disruption, the Board considers that the Company's business model remains robust and the closed end nature of the Company allows the Fund Manager to maintain focus on long-term investee companies fundamentals when taking investment decisions.

The principal risks are set out below and, in our view, have remained unchanged throughout the year:

Principal risk	Mitigating measures
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 and the extent of its borrowings at each meeting.
Portfolio and market price The Company invests almost entirely in securities that are listed on recognised markets and share prices may move rapidly. The companies in which investments are made may operate unsuccessfully or fail entirely. Investments in European markets may be impacted by political, market and financial events. A fall in the market value of the Company's portfolio would have an adverse effect on shareholders' funds.	The Manager is committed to maintaining a diversified portfolio to mitigate against this risk. The Board reviews the portfolio and performance at each meeting. The Board has received regular updates from the Fund Manager on the impact which the Covid-19 pandemic has had on the Company's portfolio.
Tax and regulatory A breach of s.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 Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Act 2006 could lead to criminal proceedings, or financial or reputational damage.	The Manager provides investment, company secretarial, administration and accounting services through qualified professionals. The Board receives internal control reports produced by the Manager 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 exposed to the operational risk that one or more of its service providers may not provide the required level of service.	The Board monitors the services provided by its third-party service providers and receives reports on the key elements in place to provide effective internal control and ensure business continuity. The Board has sought assurances from its key third-party service providers of their ability to function effectively during the UK government's lockdown measures. The Company's service providers have operated remotely since the end of March without a decline in service levels and the Board has not experienced any decline in service levels as the country has started to return to work.

Business model (continued)

The Company's viability

The Board considers the Company's viability over a three-year period. This is considered a reasonable timeframe reflecting the longer term investment horizon of the Company, as well as that of its investors, but acknowledges the inherent shorter term uncertainties in equity markets.

The Company's viability is considered as part of the continuing programme of risk management. The primary threats to the Company's continuation are poor investment performance over an extended period of time and shareholder dissatisfaction through failure to meet the investment objective. Shareholders have the ability to vote on the Company's continuation every three years.

In carrying out this assessment, the Board takes account of the likely impact of the principal risks facing the Company materialising in severe, but plausible, scenarios. In particular, the Board considers the investment strategy and gearing applied by the Manager in the market conditions prevailing at the time of the assessment, the nature of the Company's borrowing facilities and how a breach of any covenants could impact on the Company's net asset value and share price, as well as the liquidity of the portfolio in stressed scenarios. Notwithstanding the uncertainties in global markets caused by the Covid-19 pandemic, and the UK's negotiations with the European Union on a partnership and trade agreement, the Board does not believe that these will have a long-term impact on the viability of the Company and its ability to continue in operation.

Following conclusion of the assessment, the Board determined that the Company's assets are liquid, its commitments limited and that the business model remains appropriate. No significant changes to the current principal risks and the mitigating controls in place are anticipated, and the Board does not envisage any material change in the investment objective and policy. The Board is not aware of any events that would prevent the Company from continuing to operate in its current capacity.

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

Future developments

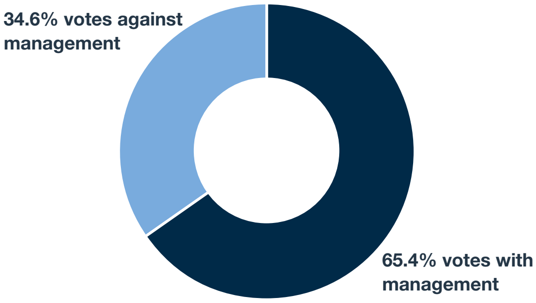
The future performance of the Company is dependent on international financial markets which are subject to various external factors, including political and economic conditions. It is the Board's intention that the Company will continue to pursue its stated investment objective and policy. The Chairman's Statement and Fund Manager's Report provide commentary on the outlook for the Company.

Responsible investment and the environment

The Board believes that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. The Board has engaged the Manager to consider how best to vote the rights attached to the shares in the Company's portfolio. In adopting this approach, the Board is able to access the expertise of the Manager's Governance and Responsible Investment team ('GRI team') in evaluating engagement by investee companies and the appropriateness of any resolutions which shareholders may be asked to approve. The Board retains oversight of the process by receiving reporting at each meeting indicating how the Company's shares have been voted and by reviewing the Manager's ESG Principles at least annually.

Voting decisions are guided by the best interests of the investee companies' shareholders and made in consultation with the Fund Manager, who has an in-depth understanding of the respective company's operations. Voting decisions are taken in keeping with the provisions of the Manager's ESG Principles. These documents are made available on the Manager's website so that investee companies are able to make themselves aware of our expectations in this respect.

In the period under review, investee companies held 153 general meetings. The level of governance in the developed markets in Europe is generally of a high standard in terms of best practice which meant support in favour of many of the resolutions proposed by management was warranted. However, in respect of 34.6% of the resolutions proposed, support was not warranted and, following discussion between the Fund Manager and the Manager's GRI team, the shares were voted against the passing of the resolution. For the most part, these resolutions related to the remuneration and independence of directors.



The Company's shares in two jurisdictions were instructed as 'do not vote'. Operational issues might have led to a position where the Fund Manager was unable to transact in the shares once they had been voted until after the relevant meeting.

Business model (continued)

The environment

As an investment company where all operational activities are outsourced, the Company's own direct environmental impact is minimal. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2019. Investee companies held in the portfolio report directly on their own emissions.

Business ethics

As the Company's operations are delegated to third-party service providers, the Board seeks assurances, at least annually, from its suppliers that they comply with the provisions of the UK Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017.

Diversity

As a fully managed investment trust, the Company has no employees and therefore nothing to report in terms of diversity in this respect. Of the six members of the Board, two are female and further information on the Company's approach to diversity on the Board is set out in the Governance Report on page 27.

For and on behalf of the Board

Dan Burgess
Director
7 October 2020

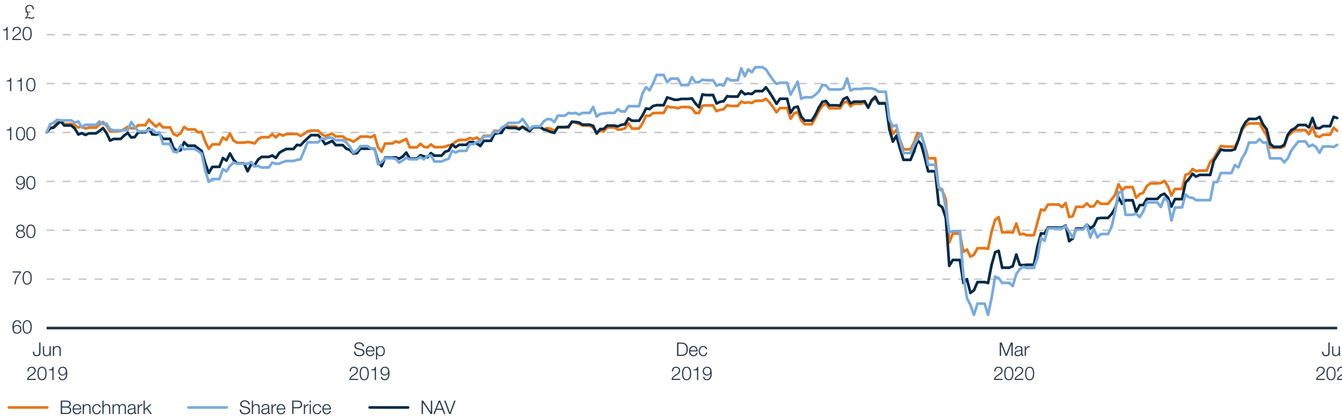
Key Performance Indicators (1 year period)

Measuring performance

In order to measure the success of the Company in meeting its investment objective and to evaluate the performance of the Manager, the directors take into account a number of Key Performance Indicators ('KPIs').

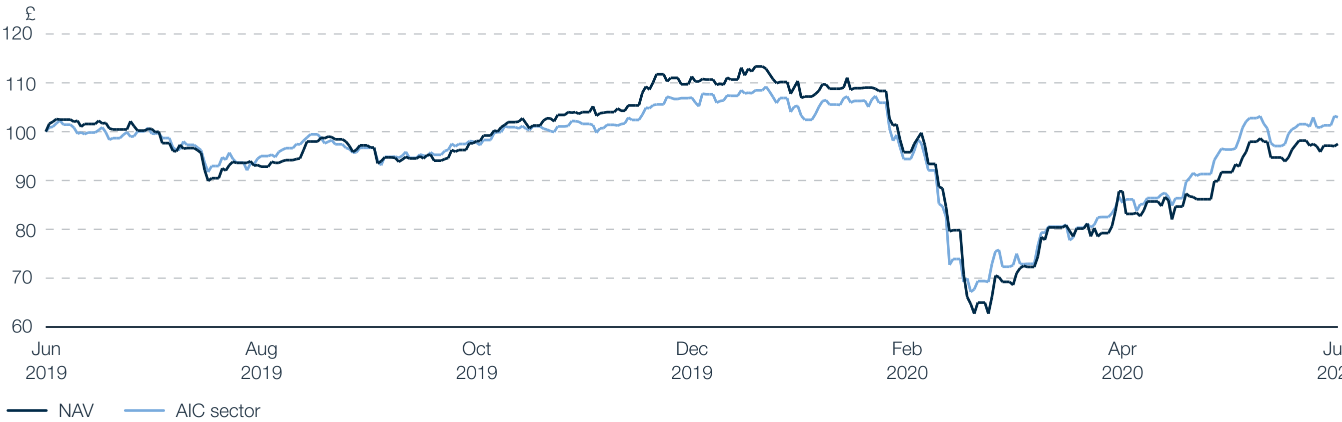
NAV and share price total return compared to the benchmark (rebased to 100)

1 year



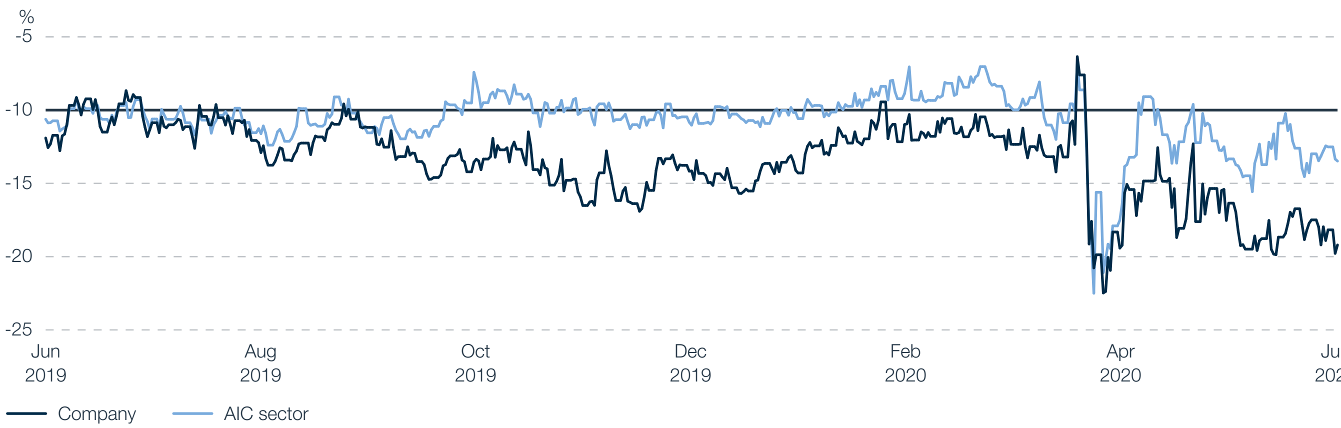
NAV total return performance compared to the AIC sector average (rebased to 100)

1 year



Premium/discount compared to the AIC sector average

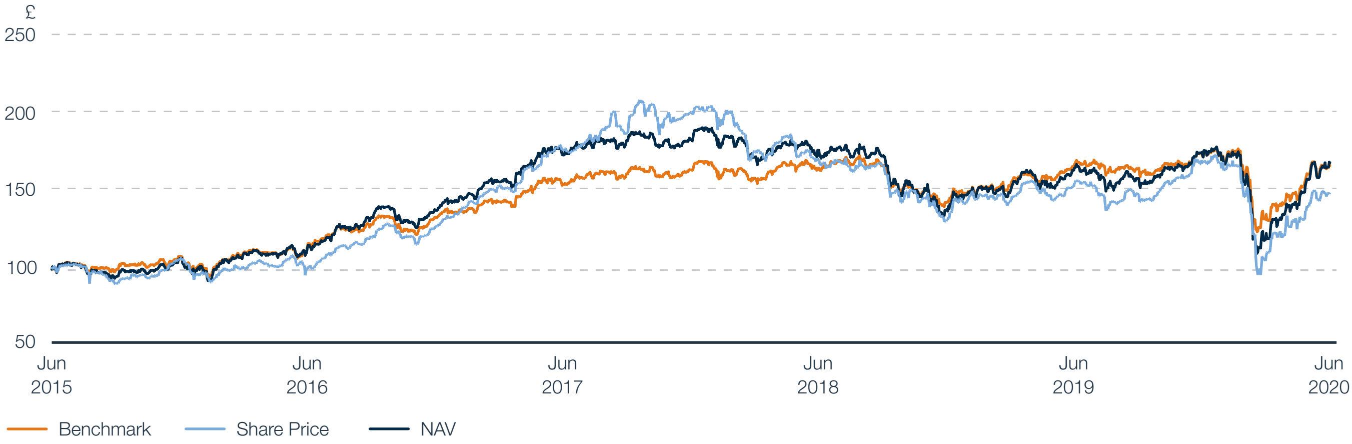
1 year



Key Performance Indicators (5 year period)

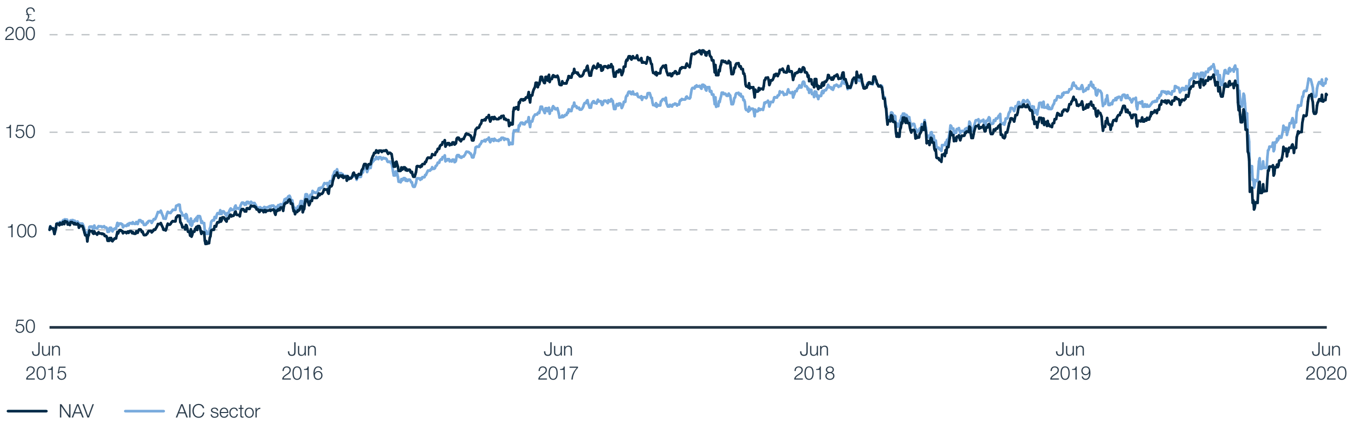
NAV and share price total return compared to the benchmark (rebased to 100)

5 year



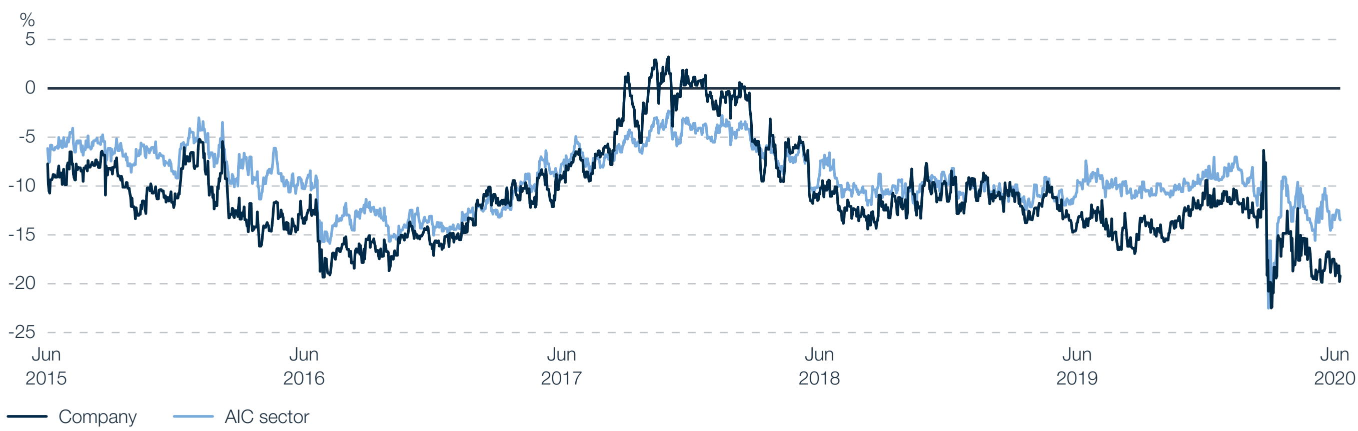
NAV total return performance compared to the AIC sector average (rebased to 100)

5 year



Premium/discount compared to the AIC sector average

5 year



Governance

Conzzeta

Percentage of portfolio: 1.2%

Activity: Industrial engineering

Geographical area: Switzerland

Conzzeta is a Swiss conglomerate offering innovative solutions in sheet metal processing, foam materials, graphic coatings and outdoor clothing and equipment.

Board of Directors
The right balance of skills and experience

Christopher Casey

Position:
Chairman of the Board (from 25 November 2019); formerly the Chairman of the Audit Committee (1 March 2010 – 25 November 2019)

Date of appointment:
1 March 2010

Career and background

Christopher was a partner of KPMG LLP and its predecessor firms from 1992, having joined Peat Marwick & Mitchell in 1977. He was an audit partner responsible for large and listed companies but latterly specialised in mergers and acquisitions advisory assistance. He retired from KPMG LLP in February 2010 and has been a non-executive director of a number of companies since that time.

Skills and expertise

Christopher has extensive accounting, auditing, corporate governance and listed companies experience.

External appointments

He is a non-executive director of a number of investment trusts including BlackRock North American Income Investment Trust plc and Mobius Investment Trust plc.

Daniel (Dan) Burgess

Position:
Chairman of the Audit Committee

Date of appointment:
25 November 2019

Career and background

Dan was a partner at KPMG for twenty-three years. He initially led the statutory audits of a number of large public limited companies and public interest entities before specialising in due diligence and regulatory services on mergers and acquisitions and capital market transactions.

Skills and experience

He has significant accounting, auditing, corporate governance and listed companies experience.

Ann Grevelius

Position:
Independent non-executive director

Date of appointment:
23 September 2019

Career and background

Ann has more than twenty-five years´ experience in the asset management sector and has also been active in the venture capital industry for the last several years, as partner and senior advisor at GP Bullhound, a technology advisory and investment firm. She has held positions as Chief Investment Officer and Global Head of Investment Strategy at SEB Wealth Management and prior to that, Ann was head of Swedish and Nordic Equities at SEB Investment Management and Handelsbanken Asset Management.

Skills and experience

Ann has extensive asset management experience and enables the Board to stay in touch with sentiment on the Continent.

External appointments

She is Chairman and co-founder of Optise AB, a fintech start-up within digital asset management and holds a number of non-executive directorships including Carneo AB, a Nordic multi-boutique asset manager and Alecta, the fifth largest occupational pension provider in Europe. She is also Chairman of the Investment Committee at the Swedish Foundation for Strategic Research and a member of the Listing Committee of Nasdaq Stockholm.

Board of Directors (continued)

Simona Heidempergher

Position:
Independent non-executive director

Date of appointment:
1 September 2014

Career and background

Simona is a director of Merifin Capital, a privately owned European investment company with offices in Europe, Asia and the USA, which has successfully invested in traditional and alternative asset classes for more than 25 years.

Skills and experience

Simona has a wealth of asset management experience and enables the Board to stay in touch with sentiment on the Continent.

External appointments

She is a non-executive director of Aquafil SpA, Stramongate SA, Fondazione Bruno Kessler, Hansa Investment Company Limited, Industrie Saleri Italo S.p.A and sits on the advisory boards of various limited partnerships. She is a former director of BIM Banca Intermobiliare SpA, Europa Investimenti SGR and Invitalia Ventures SGR.

Andrew Martin Smith

Position:
Independent non-executive director

Date of appointment:
19 May 2008

Career and background

Andrew was Chief Executive of Hambros Fund Management at the time of its merger with Guinness Flight in 1997. He joined Berkshire Capital Securities in 2000 before joining Guinness Asset Management in 2005.

Skills and experience

He has over forty years' experience in the asset management industry.

External appointments

Andrew is a director of Guinness Asset Management. He holds a number of non-executive directorships including Church House Investments Limited, a private and independent investment management company.

Alexander Mettenheimer

Position:
Independent non-executive director

Date of appointment:
1 July 2011

Career and background

Alexander was spokesman of the executive directors of ODDO BHF Bank AG (formerly BHF Bank) until March 2016 and Deputy Chairman of the Board of Administration for Bayerische Landesbank, the leading Bavarian commercial bank for large and middle-market corporate customers in Germany and Europe from 2010 to 2013. His previous roles include Chief Executive Officer of Merck Finck & Co Privatbankiers and Confia SA as well as various positions with Citibank.

Skills and experience

Alexander has a strong background in European financial services and banking. He also enables the Board to stay in touch with sentiment on the Continent.

External appointments

He is Chairman of the Small and MidCap InvestmentBank AG and holds various other board positions in Germany.

Corporate Governance Report

Governance codes

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

Applicable codes

The Company maintains a premium listing on the London Stock Exchange and is therefore required to report on how the principles of the UK Corporate Governance Code (the 'UK Code') have been applied. Being an investment company, a number of the provisions of the UK Code are not applicable as the Company has no executive directors or internal operations. The Board has therefore considered the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies in January 2019 (the 'AIC Code'). The AIC Code addresses the principles set out in the UK Code as well as additional principles and recommendations on issues that are of specific relevance to investment companies. The Financial Reporting Council ('FRC') has endorsed the AIC Code and confirmed that, by following it, the boards of investment companies should fully meet their obligations in relation to the UK Code.

Copies of the AIC Code and the UK Code can be found on the respective organisations' websites: **www.theaic.co.uk** and **www.frc.org.uk**. The AIC Code includes an explanation of how it adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

Statement of compliance

The Board has considered the principles and provisions of the AIC Code as these are more relevant to the Company's shareholders in terms of its governance arrangements.

With the exception of the appointment of a senior independent director, the Company has complied with the principles of the AIC Code throughout the period. The Company has no chief executive or other executive directors and therefore has no need to consider the remuneration of executive directors. The Company has no internal operations and therefore does not maintain an internal audit function, but considers the need for one annually.

Board leadership and purpose

The Board is responsible for providing leadership and setting the tone from the top in terms of the Company's culture and values. The Board appoints all third-party service providers and monitors their performance throughout the year. The directors formally evaluate the quality of the service provided by each third-party service provider and consider the appropriateness of the terms of their engagement at least annually. The Board aligns the Company's risk appetite with the investment objective set by shareholders and establishes investment restrictions accordingly. The Board keeps under regular review the risks faced by the Company and assesses the effectiveness of internal controls put in place to mitigate these.

As well as making the strategic decisions regarding the Company's purpose and establishing the risk management framework, the Board's purpose is to provide independent oversight of the operations delivered by the Company's third-party service providers and to challenge the decisions and recommendations made by them, particularly the Manager and Fund Manager.

The Board does this by meeting formally at least five times a year, with additional Board or committee meetings arranged when required. The directors have regular contact with the Fund Manager and other employees of the Manager in connection with the delivery of company secretarial, sales, marketing and other administrative services.

The Board has a formal schedule of matters specifically reserved for its decision, which includes setting strategy and providing oversight of performance against agreed measures. It approves any changes to the structure and capital arrangements for the Company, has oversight of financial reporting and assesses the effectiveness of the internal control framework. The Board approves communications with shareholders, the appointment of new directors, oversees corporate governance matters and is responsible for determining the remuneration of individual directors.

Each meeting follows an agenda agreed with the Chairman and includes a review of the Company's investment performance, financial position, compliance with the investment parameters and a review of notable changes to the share register, along with any sales and marketing activities undertaken. This reporting enables the Board to ensure that control is maintained over the Company's affairs.

The Manager ensures that the directors receive all relevant management, regulatory and financial information. Employees of the Manager attend each Board meeting enabling the directors to probe further on matters of concern. The Chairman is able to attend meetings of all the chairmen of the investment companies managed by Janus Henderson which provides a forum to discuss industry matters. The directors have access to the advice and services of the Corporate Secretary through its designated representative who is responsible for ensuring that Board and Committee procedures are followed. The proceedings of all Board and Committee meetings are minuted, with any particular concerns raised by the directors appropriately recorded. The Board and the Manager operate in a supportive, co-operative and open environment.

The Company has 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.

Corporate Governance Report (continued)

Division of responsibilities

Role	Primary responsibilities
Shareholders/ investors	The Company's shareholders are responsible for: • approving the Company's investment objective and policy; • making decisions regarding changes to the Company's constitution; • electing and re-electing directors to the Board, or removing them from office if deemed appropriate; and • determining the overall limit for directors' remuneration.
Chairman	The Chairman of the Board is responsible for: • leading and managing Board business and ensuring the timely flow of information from service providers to the Board. He facilitates open, honest and constructive debate among directors; • leading the Nomination Committee in developing succession planning and the identification of potential candidates for appointment to the Board (except when considering his own succession); • leading the Board in determining its governance framework, culture and values; • representing the Company, alongside the Fund Manager, externally at business, and community level; and • managing the relationship with the Manager.
Independent non-executive directors	The independent non-executive directors are responsible for: • providing constructive and effective challenge, especially to the decisions of the Manager; • scrutinising and holding to account the performance of the – Fund Manager in meeting the investment objective; – Manager in the promotion of the Company and day-to-day smooth operations of the Company's business; and • providing strategic guidance and offering specialist advice.
Committee chairs	The Committee chairs are responsible for: • the leadership and governance of their committee; • maintaining the relationships with specialist service providers delivering services within the remit of their committees; • reporting on the activities of their committee to the Board; and • seeking approval from the Board for the responsibilities set out in their respective terms of reference.
Manager	The Manager is the Company's appointed Alternative Investment Fund Manager and is responsible for: • promoting the Company's investment proposition to professional and retail investors; • making the necessary reporting to the FCA regarding the Company's status as an Alternative Investment Fund; • providing accounting, company secretarial and other administrative services to the Company ensuring compliance with the applicable statutory and regulatory provisions; and • coordinating the delivery of services provided by the Company's other third-party service providers.
Fund Manager	The Fund Manager and his team are responsible for: • selecting the stocks held within the portfolio; • diversification and risk management through stock selection and size of investment; • determining the volume and timing of acquisitions and disposals; and • determining the frequency and level of gearing within the overall limits set by the Board.

Given the size of the Board and nature of the Company's activities, a senior independent director has not been appointed. The Audit Committee Chairman fulfills this role and is available to shareholders should they have concerns which cannot be addressed through the usual channels.

Corporate Governance Report (continued)

Board composition

At the date of this report, the Board comprises six non-executive directors. Their background and business experience is set out on pages 23 and 24.

Board diversity

The Board's approach to the appointment of non-executive directors is always to appoint the best person for the role. The directors are mindful of diversity – gender, social and ethnic backgrounds, cognitive and personal strengths, as well as experience – when making appointments to the Board. The Board regularly considers the leadership needs of the Company, taking account of the specific skills required to provide effective oversight of the Company's activities. All appointments to the Board are based on objective criteria and merit and are made following a formal, rigorous and transparent process.

The directors bring a range of knowledge and experience covering global and European investment markets, banking and accounting and auditing expertise to discussions regarding the Company's business. In terms of diversity, the Board membership comprises three European-based directors enabling the Board to remain in touch with sentiment on the Continent, three directors with an investment management background each from a different country, two directors with accounting and auditing experience and one director with European investment banking experience. One third of the Board's membership is female, meeting the target established by the Hampton-Alexander Review.

As the Company has no employees, it does not maintain a formal policy on diversity and inclusion, and therefore has not reported further in respect of gender representation within the Company.

Appointment, tenure and retirement of directors

The Board may appoint directors at any time during the year. Any director so appointed stands for election by shareholders at the next annual general meeting. Directors are generally expected to serve two terms of three years, which may be extended to a third term, and occasionally beyond, at the discretion of the Board and subject to satisfactory performance evaluation and annual re-election by shareholders.

All directors stand for re-election by shareholders annually in keeping with the provisions of the AIC Code. The Articles permit shareholders to remove a director before the end of his or her term by passing an ordinary resolution at a general meeting. An appointment may be terminated by either party giving written notice without compensation payable.

Chairman's tenure

Given the entirely non-executive nature of the Board and the fact that the Chairman may not be appointed as such at the time of their initial appointment as a director, the Chairman's tenure may be longer where this is considered by the Board to be in the best interests of the Company. As with all directors, the continuing appointment of the Chairman is subject to satisfactory performance evaluation, annual re-election by shareholders and may be further subject to the particular circumstances of the Company at the time he intends to retire from the Board. The directors are cognisant of the benefits of regularly refreshing Board membership and seek to do so while retaining a balance of knowledge of the Company and the relationship with the Manager.

Directors' independence

The independence of the directors is determined with reference to the AIC Code and is reviewed by the Nomination Committee at least annually. The Committee considers each of the director's other appointments and commitments, as well as their tenure and any connections they may have with the Manager or other key service providers. Following completion of the evaluation in July 2020, the Committee concluded that all directors continued to be independent in character and judgement.

Three directors have been on the Board for over nine years; Messrs Casey, Martin Smith and Mettenheimer. The other directors consider that all three are, and have been, independent since their appointment. Independence stems from the ability to make decisions that conflict with the interest of the Manager and this is a function of confidence, integrity and judgement. The Board is firmly of the view that length of service does not impair a director's ability to act independently, but that the longer perspective adds value to the deliberations of the Board, especially in light of the Company's business model and the entirely non-executive nature of the Board.

Directors' conflicts of interest

The Articles 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. The directors may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate.

Any situational conflicts which are considered, and authorised, are recorded in the minutes. These are reviewed by the Nomination Committee at least annually.

Directors' induction and ongoing training

Newly appointed directors are offered a bespoke induction programme which covers the legal and regulatory framework for investment companies and the operations of the Manager, including the compliance and risk management frameworks, accounting, sales and marketing, and other administrative services carried out by the Manager. Dan Burgess and Ann Grevelius attended such sessions during the course of the year.

Corporate Governance Report (continued)

Directors are provided with information on the Company's policies, regulatory and statutory requirements affecting the Company, as well as changes to the directors' responsibilities as they arise.

Directors are encouraged to attend external training and industry seminars, and may do so at the expense of the Company.

Meetings

The attendance of each director is set out in the table below.

	Board	AC	NC	MEC
Number of meetings	5	2	3	1
Christopher Casey	5/5	2/2	3/3	1/1
Daniel Burgess	3/3	1/1	0/0	1/1
Ann Grevelius	4/4	2/2	0/0	1/1
Simona Heidempergher	5/5	2/2	2/3	1/1
Alexander Mettenheimer	5/5	2/2	2/3	1/1
Andrew Martin Smith	5/5	2/2	2/3	1/1

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

Succession planning

To be effective the Board must maintain a balance of skills and experience, and seek to refresh these on a regular basis to ensure that the Board's challenge to the Manager's recommendations remain robust.

As the Board is comprised entirely of non-executive directors and all operations are outsourced, ensuring a suitable balance of skill and experience includes retaining a detailed knowledge of the Board's deliberations and decisions over the long term, which may mean some directors remain on the Board for longer than nine years. The Board considers its membership annually following individual performance evaluation and when recommending directors to shareholders for re-election. The Board maintains a succession plan which remains subject to the challenges facing the Company at the time these plans are implemented and the skills the Board believes it requires to ensure the safeguarding of shareholders' assets.

Two directors, Ann Grevelius and Dan Burgess, were appointed during the course of the financial year, and the former Chairman, Audley Twiston-Davies, retired as part of the Board's succession planning.

Prior to the onset of the Covid-19 pandemic, Andrew Martin Smith was due to retire from the Board by the time of the 2020 Annual General Meeting. The economic ramifications of the pandemic combined with Andrew's experience of the closed end sector and investment management background, has led the Board to reconsider the timing of his retirement. Following fulsome discussion and with the unanimous consent of all directors, the Board believes it is in the best interests of the Company and its shareholders to retain Andrew on the Board for a further year.

Performance evaluation

The Board annually conducts a review of its own performance, together with that of its Committees and individual directors. The evaluation this year was carried out through the use of a questionnaire. The outcome concluded that the Board continued to have an appropriate balance of skills and experience and that each director continued to make a significant contribution to the Company's business.

The Chairman of the Audit Committee undertook the performance evaluation of the Chairman, taking feedback from all directors. The review concluded that the Chairman had successfully retained the collaborative culture of the Board and displayed effective leadership.

Risk management and internal control

Framework of control

The Board has responsibility for determining the Company's overall risk appetite, establishing internal controls to ensure operation with that appetite and for reviewing the effectiveness of the internal controls in place.

The Board has established an ongoing process for identifying, evaluating and managing the principal and emerging risks faced by the Company. The process accords with the FRC's guidance on Risk Management, Internal Control and Related Business and Financial Reporting published in September 2014. The principle and emerging risks faced by the Company and mitigating measures in place, are documented in the Risk Profile and Register which is kept under regular review by the Audit Committee.

The system was in operation throughout the year and up to the date of this report. The system is designed to meet the specific risks faced by the Company and takes account of the nature of the Company's reliance on its third-party service providers and their internal controls. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute assurance against material misstatement or loss.

The key components of the internal control framework include:

- clearly defined investment criteria, specifying levels of authority and exposure limits. The Board reviews reports on investment performance against and compliance with the criteria at each meeting;
- regular financial reporting which allows the Board to assess the Company's financial position. The management accounts and forecasts are reviewed by the Board at each meeting;
- contractual agreements with the Manager and all other third-party service providers. The Board reviews performance levels and adherence to relevant provisions in the agreements on a regular basis through reporting to the Board and conducts a formal evaluation of the overall level of service provided at least annually;

Corporate Governance Report (continued)

- the review of controls at the Manager and other third-party service providers. The Board receives quarterly reporting from the Manager and depositary, and reviews annual assurance reports on the effectiveness of the control environments at the Company's key service providers; and
- review of additional reporting provided by:
  - the Manager's Operational Risk team on the control environment in operation at the Manager and their view of the control environments in place at the third-party service providers used by the Company; and
  - the Manager's Internal Audit team on areas of operation which are relevant to the Company.

The Board has reviewed the effectiveness of the Company's system of internal controls for the year ended 30 June 2020. 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.

Internal audit function

Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and ensure that financial information used within the business, or published, is reliable.

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

The Manager's Operational Risk team support the Audit Committee in considering the independently audited reports on the effectiveness of internal controls in place at the Company's third-party service providers. The Manager's Internal Audit department provides regular reporting to the Board on the operations of the Manager and presents at least annually to the Audit Committee.

Given the level of independent review attached to reporting on the effectiveness of internal controls at third-party service providers and the access the Audit Committee has to the Manager's Internal Audit department, the Board, on the recommendation of the Audit Committee, has concluded that it is not necessary at the present time for the Company to have its own internal audit function.

Committees of the Board

The Board has three principal committees: the Audit Committee, the Management Engagement Committee and the Nomination Committee.

The terms of reference for these committees are available on the website **www.treuropeangrowthtrust.com**.

The Board has also constituted an Insider Committee which meets when required to assist the Board in discharging its responsibilities under the Market Abuse Regulations.

Nomination Committee

Role

The Nomination Committee is responsible for ensuring the Board retains an appropriate balance of skills, experience and diversity, has a formal, rigorous and transparent approach to the appointment of directors and maintains an effective framework for succession planning.

Membership

The Committee is chaired by the Chairman of the Board. All of the independent non-executive directors are members of the Committee.

Meetings

The Committee meets at least once a year to consider the composition of the Board, succession planning and to review the outcome of the Board evaluation. The Committee meets more frequently during the year when the recruitment process for new directors is underway. Trust Associates were invited to one meeting during the year to present their short list of candidates.

Responsibilities

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

- the composition of the Board and each of its committees, taking account of the skills, experience and knowledge of each director and whether the diversity of these continued to contribute to the success of the Company;
- the outcomes of the Board performance evaluation with a view as to whether adjustments should be made to the number of directors or knowledge and skills represented on the Board;
- the tenure of each of the directors, giving consideration as to whether the Board retained a sufficient balance of length of service without becoming complacent;
- the independence of the directors taking account of the guidelines established by the AIC Code as well as the directors' other commitments;
- the time commitment of the directors and whether this had been sufficient over the course of the year;
- succession planning for appointments to the Board taking account of the provisions of the Articles regarding the retirement and rotation of directors, the tenure of the current directors and recommendations of the AIC Code; and
- the performance and contribution of the directors standing for re-election at the 2020 Annual General Meeting.

Corporate Governance Report (continued)

Directors for re-election

Taking account of the performance of individual directors as part of the overall effectiveness evaluation of the Board, the Committee considers whether the Board's support of directors standing for re-election at the upcoming annual general meeting is warranted.

Following conclusion of the evaluation this year, the Committee recommended that all directors standing for re-election should be supported. The evaluation demonstrated that the directors continued to bring their knowledge and experience to bear in making decisions regarding the Company and could commit additional time at short notice to keep up to date with movements in global markets and their impact on the Company's portfolio in the wake of the Covid-19 pandemic.

Particular attention was paid to extending the tenure of Andrew Martin Smith, who was due to retire from the Board prior the 2020 Annual General Meeting. Given the economic impact of the pandemic and Andrew's particular experience, the Committee recommended to the Board that his services be retained for a further year as markets navigated their way out of the current crisis.

Appointment of directors

Two new directors were appointed to the Board during the reporting period; Ann Grevelius and Dan Burgess on 23 September and 25 November 2019 respectively. The Committee led the search process and made recommendations in respect of their appointments to the Board following conclusion of the process.

The existing directors were able to make recommendations for candidates and, following a review of specialist recruitment agencies, Trust Associates was appointed to assist the Committee in the search for a new Chairman for the Audit Committee. No open advertising was used as the Committee believes that targeted recruitment is the optimal way of recruiting. Trust Associates do not undertake any other services for the Company.

The directors considered several potential candidates with an investment background and a long list of candidates with an auditing and accounting background was prepared by Trust Associates. The preferred candidates were invited for interviews with the directors. Candidates were evaluated based on merit, business experience paying attention to the skills that the directors wished to retain on the Board, and individual cognitive and personal strengths. The candidates other commitments were considered as part of the process.

Following conclusion of the overall process the Committee was pleased to recommend the appointment of Ann Grevelius and Dan Burgess to the Board. Dan become Chairman of the Audit Committee on appointment. Both directors were elected by shareholders at the 2019 Annual General Meeting.

Management Engagement Committee

Role

The Management Engagement Committee is responsible for formally evaluating the overall performance of the Manager and other third-party service providers engaged by the Company.

Membership

The Committee is chaired by the Chairman of the Board. All of the independent non-executive directors are members of the Committee.

Meetings

The Committee meets at least once a year.

Responsibilities

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

- the investment performance of the Company, taking account of the benchmark and performance of competitors in the closed- and open-end sectors, the share price, level of discount and gearing;
- the quality and experience of the team involved in managing all aspects of the Company's business;
- the fee structures of its closed end competitors and other, similar sized investment companies;
- the key clauses of the investment agreement, how the Manager had fulfilled these and whether these continued to be appropriate; and
- the performance and fees of the Company's other third-party service providers, including the brokers, depositary, registrar, research providers and legal counsel.

Re-appointment of the Manager

Following completion of its reviews, the Committee concluded that the continued appointment of the Manager remained in the best interests of the Company and the shareholders, and therefore recommended to the Board the re-appointment of Janus Henderson for a further year.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
7 October 2020

Audit Committee Report

Role

The Audit Committee is responsible for ensuring the integrity of the Company's financial reporting, evaluating the effectiveness of the systems of internal control and risk management and monitoring the effectiveness and objectivity of the external auditor.

Membership

All directors with the exception of the Chairman of the Board are members of the Committee.

The Board is satisfied that at least one member has recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which the Company operates.

Meetings

The Committee meets at least twice a year. The Company's auditors, the Fund Manager and the Manager's Financial Reporting Manager are invited to attend meetings of the Committee on a regular basis. Other representatives of the Manager and BNP Paribas Securities Services may also be invited to attend if deemed necessary by the Committee.

Responsibilities

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

- the Company's annual report and half-year financial statements, the appropriateness of the accounting policies applied and the use of the going concern basis for preparation;
- the assessment of the principal and emerging risks facing the Company and the long-term viability statement in light of these risks;
- the areas of judgement in the financial statements and the performance fee calculation;
- the overall approach to paying dividends and the appropriate level of dividend to be paid in respect of the year ended 30 June 2020 particularly in light of the prevailing economic conditions;
- the appointment and evaluation of the effectiveness and objectivity of the auditor, and determining their remuneration;
- agreeing the nature and scope of the statutory audit and reviewing the auditor's findings;
- monitoring and evaluating the effectiveness of the Company's system of internal control and assessing the need for a separate internal audit function;
- the policy on the provision of non-audit services by the auditor; and
- the whistleblowing arrangements in place at the Manager enabling staff to raise concerns about possible improprieties in confidence.

Effectiveness of the external audit

The Committee's process for evaluating the effectiveness of the external audit comprises two components; consideration is given to the findings of the FRC's Audit Quality Inspection Report and a post-audit assessment is carried out, led by the Committee Chairman.

The auditor is able to present and discuss the findings of the latest Audit Quality Inspection Report and report on the progress made by the firm in terms of addressing the areas identified for improvement in the prior year's report. In assessing the effectiveness of the audit process, the Committee Chairman invites views from the directors, the Fund Manager and other members of the Manager's staff in assessing the robustness of the audit, level of challenge offered by the audit team, the quality of the audit team and timeliness of delivering the tasks required for the audit and reporting to the Committee.

Following completion of the assessment, the Audit Committee remained satisfied with the effectiveness of the audit provided by Ernst & Young LLP ('EY') and therefore recommended their continuing appointment to the Board. The auditor has indicated their willingness to continue in office. Accordingly, resolutions reappointing EY as the auditor to the Company and authorising the Audit Committee to determine their remuneration will be proposed at the upcoming annual general meeting.

Appointment and tenure of the auditor

Regulations currently in force require the Company to rotate audit firms after a period of 10 years, which may be extended where audit tenders are carried out or where more than one audit firm is appointed to carry out the audit. EY was appointed as the auditor in 2017 following a formal tender process and presented their first report in respect of the year ended 30 June 2018. This is the third year they have acted as the auditor and current audit partner, Matthew Price, has been in place. Subject to the audit remaining effective and the continuing agreement from shareholders on the appointment of the auditor, the Committee envisages carrying out an audit tender process towards the end of the next partner's tenure.

Audit Committee Report (continued)

Significant issues

In relation to the annual report for the year ended 30 June 2020 the following significant issues were considered by the Committee:

Significant issue	How the Committee addressed the issue
Valuation and ownership of investments	Actively traded investments are valued using stock exchange prices provided by third-party pricing vendors. The Committee specifically considers the investments that are unquoted or not actively traded, which are valued using a variety of techniques to determine their fair value. These valuations are reviewed by the Manager's EMEA Pricing Committee. The Company currently holds two investments of this nature – Safwood, which continues to be valued at nil and 21 Centrale Partners III, which is in the process of returning funds to investors. Ownership of listed investments is verified by reconciliation to the custodian's records and for unquoted investments, via reconciliation to the records of the investee entities.
Investment income	The Committee reviewed the impact which the Covid-19 pandemic had on the value of the portfolio and considered the likely impact on investment income over the coming several years. The Committee considered the possible impact on the dividend in light of these projections.
Recognition of income	Income received is accounted for in line with the Company's accounting policies. The Committee considers whether the capital/income allocation remains appropriate and considers the treatment of any special dividends received during the course of the year.
Internal control environment	The Committee carries out the annual assessment of the effectiveness of the Company's internal control and risk management systems by reviewing the framework and summary of the reporting received throughout the course of the financial year. The annual assurance reports for one of the Company's third-party service providers was qualified by the respective service auditor. The Committee sought assurance that remedial action had been taken and that a plan to address the issue identified was underway.
Investment Trust status	The Committee reviews the Manager's procedures for ensuring compliance with relevant regulations for ensuring the Company maintains its investment trust status and regularly seeks confirmation of compliance with the relevant regulations.
Calculation of performance fee	The Committee reviews the calculation of the performance fee to ensure consistency with the Management Agreement and the application of the methodology used in prior years.

Auditor's independence

The Committee monitors the auditor's independence through three aspects of its work; the approval of a policy regulating the non-audit services that may be provided by the auditor to the Company, assessing the appropriateness of the fees paid to the auditors and by reviewing the information and assurances provided by the auditors on their compliance with the relevant ethical standards. The Committee noted the changes taking place in the audit sector, particularly regarding fees, and the regulator's approach in seeking to strengthen the independence of audits. Taking account of these changes, the Committee agreed a revised fee for the audit for the year ended 30 June 2020. EY has confirmed that all of its partners and staff involved with the audit were independent of any links to the Company, and that these individuals had complied with their ethics and independence policies and procedures which are fully consistent with the FRC's Ethical Standards.

Policy on the provision of non-audit services

The Committee has approved, and keeps under regular review, the policy on the provision of non-audit services by the auditors. The policy sets out that the Company's auditors will not be considered for non-audit work where this is prohibited by the current regulations and where it appears to affect their independence and objectivity. In addition, the provision of any non-audit services by the auditors is not permitted to exceed 70% of the average annual statutory audit fee for the three consecutive financial periods proceeding the financial period to which the cap applies. Such services require approval in advance by the Audit Committee, or Audit Committee Chairman, following due consideration of the proposed services.

Since the appointment of EY in 2017, the auditor has not provided any non-audit services to the Company.

For and on behalf of the Board

Dan Burgess
Chairman of the Audit Committee
7 October 2020

Directors' Remuneration Report

Remuneration Policy

The Remuneration Policy (the 'Policy') sets out the principles applied in the remuneration of the Company's directors. The Policy has been in place since 1 July 2013 and was last approved by shareholders at the annual general meeting on 27 November 2017. Their approval will be sought once more at the upcoming meeting.

The Board's approach is that fees payable to the directors should:

- reflect the time spent by them on the Company's affairs;
- reflect the responsibilities borne by them as directors;
- be sufficient to promote the long term success of the Company; and
- not exceed the aggregate limit set out in the Articles of Association (currently £250,000).

Directors are remunerated in the form of fees which are payable quarterly in arrears.

No director is eligible to receive bonuses, pension benefits, share options or other benefits and no long-term incentive schemes are in place. The directors may be reimbursed for all reasonable and properly documented expenses incurred in the performance of their duties. The level of remuneration paid to each director is reviewed annually, although such review will not necessarily result in a change to the fee.

The Policy, irrespective of changes, is put to shareholders at intervals of not more than three years.

Shareholders' views

Any feedback from shareholders on the fees paid to directors is taken into account by the Board when reviewing remuneration levels.

Letters of Appointment

All directors are non-executive and are appointed under a Letter of Appointment, which is an engagement for services and not a contract for employment. The appointment may be terminated at any time by written notice with no compensation payable.

Recruitment principles

All directors, including any new appointments to the Board, are paid at the same rate. The Chairman of the Board and Chairman of the Audit Committee are paid a higher fee in recognition of their additional responsibilities.

Annual Report on Remuneration

The Directors' Remuneration Report (the 'Report') is prepared 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'). A resolution to approve this Report will be put to shareholders at the annual general meeting to be held on 23 November 2020.

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

All of the 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. All relevant information is disclosed within this report in an appropriate format.

Statement from the Chairman

As the Company has no employees and the Board is comprised entirely of non-executive directors, the Board has not established a separate Remuneration Committee. Directors' remuneration is determined by the Board as a whole within the aggregate limit approved by shareholders, currently £250,000 per annum.

Directors' fees for the year under review were £38,000 (2019: £33,000, 15.2% change) for the Chairman, £34,000 (2019: £30,000, 13.3% change) for the Chairman of the Audit Committee and £30,000 (2019: £26,000, 15.4% change) for the remaining directors. The fees were last increased with effect from 1 July 2019, and prior to that in 2014, following consideration of the fees paid to directors of other similar sized investment trusts.

Directors' interests in shares (audited)

The interests of the directors in the ordinary shares of the Company at the beginning and end of the financial year under review are set out in the table below.

	Ordinary shares of 12.5p 30 June 2020	Ordinary shares of 12.5p 1 July 2019
Christopher Casey	6,000	6,000
Daniel Burgess	–	–
Ann Grevelius	–	–
Simona Heidempergher	1,600	1,600
Alexander Mettenheimer	5,900	800
Andrew Martin Smith	10,000	10,000

In the period since 30 June 2020, Alexander Mettenheimer has sold 3,900 shares.

Directors' Remuneration Report (continued)

Relative importance of spend on pay

The table below sets out the total level of directors' remuneration compared to the distributions paid to shareholders by way of dividends. There were no other significant distributions or uses of the Company's profit which would assist in the understanding of relative importance of spend on pay.

	2020 £'000	2019 £'000	2015 £'000	1 year change £	1 year change %	5 year change £	5 year change %
Total remuneration paid to directors[1]	198,339	144,062	136,530	54,277	37.7	61,809	45.3
Ordinary dividends paid during the year	11,174,173	10,773,305	4,597,783	400,868	3.7	6,576,390	143.0

1 Changes will fluctuate due to the number of directors in any one year

Directors' remuneration (audited)

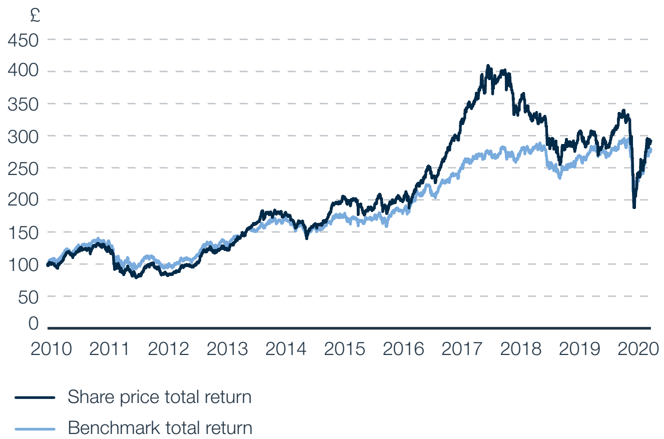
The remuneration paid to the directors who served during the years ended 30 June 2020 and 30 June 2019 was as follows:

	Year ended 30 June 2020 Total salary and fees £	**Year ended 30 June 2020 Total expenses and taxable benefits £**	**Year ended 30 June 2020 Total £**	Year ended 30 June 2019 Total salary and fees £	Year ended 30 June 2019 Total expenses and taxable benefits £	Year ended 30 June 2019 Total £
Audley Twiston-Davies[1]	15,283	–	15,283	33,000	–	33,000
Christopher Casey[2]	36,402	7,731	44,133	30,000	–	30,000
Daniel Burgess[3]	20,418	–	20,418	–	–	–
Ann Grevelius[4]	22,500	1,824	24,324	–	–	–
Simona Heidempergher	30,000	1,305	31,305	26,000	733	26,733
Andrew Martin Smith	30,000	–	30,000	26,000	35	26,035
Alexander Mettenheimer	30,000	2,876	32,876	26,000	2,294	28,294
Total	184,603	13,736	198,339	141,000	3,062	144,062

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 until retirement on 25 November 2019. 2 Chairman of the Audit Committee until 25 November 2019, Chairman thereafter. Highest paid director.
3 Chairman of the Audit Committee, appointed 25 November 2019. 4 Appointed 23 September 2019

Performance

The graph illustrates the Company's share price total return performance compared with that of the benchmark over a ten year period. The analysis assumes £100 invested on 30 June 2011 with all dividends reinvested.



Statement of voting at Annual General Meeting

A binding ordinary resolution adopting the Remuneration Policy was approved at the annual general meeting held on 25 November 2017. The votes cast by proxy in favour of the resolution were 5,217,116 (99.4%), votes cast against the resolution were 16,596 (0.3%) and 14,415 (0.3%) were placed at the discretion of the chairman of the meeting to vote. A total of 32,909 votes were withheld.

An ordinary resolution adopting the Annual Report on Remuneration was approved at the annual general meeting held on 25 November 2019. The votes cast by proxy in favour of the resolution were 8,612,499 (99.1%), votes cast against the resolution were 29,803 (0.3%) and 47,671 (0.6%) were placed at the discretion of the chairman of the meeting to vote. A total of 20,323 votes were withheld.

The percentage of votes in favour, against and discretionary excludes the number of votes withheld.

For and on behalf of the Board

Dan Burgess
Director
7 October 2020

Directors' Report

The directors present their report and the Company's audited financial statements for the year ended 30 June 2020.

The Corporate Governance Statement and Audit Committee Report on pages 25 to 32 and Additional Information on pages 72 to 79 form part of the Directors' Report.

Share capital

As at 30 June 2020 the Company's paid up share capital consisted of 50,108,397 ordinary shares of 12.5p each. The voting rights at that date were 25,054,198, as shareholders have one vote for every two shares held.

At the annual general meeting held on 25 November 2019, shareholders authorised the directors to allot up to 2,505,420 new ordinary shares and to repurchase up to 7,511,249 of the Company's ordinary shares where these were trading at a discount to the net asset value. No shares have been allotted or repurchased in the year to 30 June 2020 and up to the date of this report. The authorities to allot and repurchase shares will expire at the earlier of 15 months from the date of the passing of the resolution or the next annual general meeting. Directors will be seeking to renew the authority to allot and repurchase shares at the upcoming annual general meeting.

There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no restrictions on voting, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid. To the extent that they exist, the revenue profits of the Company (including accumulated revenue reserves) are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to the shareholders pro rata to their holding of ordinary shares.

Holdings in the Company's shares

Declarations of interests in the voting rights of the Company at 30 June 2020 in accordance with the Disclosure Guidance and Transparency Rules were as follows:

	% of voting rights
Wells Capital Management Inc.	8.2
Lazard Asset Management LLC	5.0
Investec Wealth & Management Limited	4.9

No further notifications have been received from the end of the reporting period to the date these accounts were approved.

Borrowings

The Company has a secured multicurrency overdraft arrangement with HSBC Bank plc that allows it to borrow up to the lesser of £100 million and 25% of custody assets as and when required. At 30 June 2020, £48 million (2019: £57m) of the facility was drawn down.

Directors' insurance and indemnification

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

Related party transactions

The Company's transactions with related parties in the year were with the directors, the subsidiary and the Manager, Janus Henderson. There have been no material transactions between the Company and its directors during the year. 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.

The Company has paid expenses on behalf of the subsidiary as disclosed on page 56.

In relation to the provision of services by the Manager, other than fees payable by the Company in the ordinary course of business and the provision of marketing activities, there have been no material transactions affecting the financial position of the Company during the year under review. More details on transactions with the Manager, including amounts outstanding at the year end, are given in note 21 on page 70.

Annual General Meeting

The annual general meeting will be held on Monday 23 November 2020 at 12.30 pm using the conferencing software Zoom. The Notice of Meeting and the details of the resolutions to be put to shareholders are contained in the separate document enclosed with this report.

Shareholders should return their proxy forms by the required deadline as votes will be taken on a poll. Shareholders holding their shares in nominee accounts should contact their share dealing platform directly to instruct their vote.

Directors' Report (continued)

Duration of the Company

The Company's Articles of Association require that at every third annual general meeting an ordinary resolution be put to shareholders requesting them to approve the continuation of the Company. This vote was last put to shareholders in 2019 and passed with a resounding majority. Another resolution will be proposed at the 2022 Annual General Meeting.

The Company's subsidiary

The Company has a wholly owned subsidiary, TREG Finance Limited, which was dormant until it entered Members Voluntary Liquidation on 24 February 2020. The Company and subsidiary are referred to as the 'Group'.

Directors' statement as to disclosure of information to auditor

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

Single identifiable table

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. There are no further disclosures to be made in this regard.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
7 October 2020

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

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 Group and the Company and of the profit or loss of the Group 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 IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Parent Company and the Group 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 Parent Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the International Accounting Standards Regulation. They are also responsible for safeguarding the assets of the Parent Company and the Group 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 Group and Parent Company's position and performance, business model and strategy.

Directors' responsibility statements

Each of the directors, listed on pages 23 and 24, confirm that, to the best of his or her knowledge:

- the Group financial statements prepared in accordance with IFRS adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the issuer and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

Dan Burgess
Director
7 October 2020

Financial statements

TKH

Percentage of portfolio: 2.4%

Activity: Electronic and electrical equipment

Geographical area: Netherlands

TKH is a specialist in the creation and delivery of innovative telecom, building and industrial solutions.

Independent auditor's report to the members of TR European Growth Trust PLC

Opinion

In our opinion:

- TR European Growth Trust PLC's Group financial statements and parent company financial statements (the 'financial statement') give a true and fair view of the state of the Group and Parent Company's affairs as at 30 June 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of TR European Growth Trust PLC which comprise:

Group	Parent company
• Consolidated Balance sheet as at 30 June 2020	• Balance sheet as at 30 June 2020
• Consolidated Statement of Comprehensive Income for the year then ended	• Statement of Changes in Equity for the year then ended
• Consolidated Statement of Changes in Equity for the year then ended	• Statement of Cash Flows for the year then ended
• Consolidated Statement of Cash Flows for the year then ended	
• Related notes 1 to 22 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

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

- The disclosures in the annual report set out on page 17 that describe the principal risks and explain how they are being managed or mitigated;
- The directors' confirmation set out on page 17 in the annual report that they have carried out a robust assessment of the emerging and principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- The directors' statement set out on page 52 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- Whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- The directors' explanation set out on page 18 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independent auditor's report to the members of TR European Growth Trust PLC (continued)

Overview of our audit approach

Key audit matters	1. Risk of incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Statement of Comprehensive Income. 2. Incorrect calculation and allocation of performance fees. 3. Incorrect valuation or defective title of the investment portfolio held at fair value through profit and loss. 4. Impact of Covid-19 on the Group and its operations.
Materiality	Overall Group materiality of £5.2m which represents 1% of Net Assets as at 30 June 2020.

Key audit matters

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

What is the Risk	What did we do?	What are our conclusions?
Risk of incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Statement of Comprehensive Income (as described on page 32 of the Audit Committee Report and as per the accounting policy set out on page 52). Income in the year totalled £8.1m (2019: £14.7m), it is received primarily in the form of dividends from the listed equity investments. The investment income receivable by the Group during the period directly impacts the Company's ability to make a dividend payment to shareholders. There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or applying appropriate accounting treatment. Special dividends represent dividends paid by investee companies that are additional to the normal or expected dividend cycle for that company. In accordance with the Association of Investment Companies Statement of Recommended Practice (the 'SORP'), special dividends can be included within either the capital or revenue columns of the Income Statement depending on the commercial circumstances behind the payments.	**We have performed the following procedures:** • Obtained an understanding of Henderson Global Investors Limited ('HGIL' or the 'Manager) and BNP Paribas Securities Services ('BNP' or the 'Administrator') processes and controls surrounding the recognition and classification of revenue and special dividends by performing walkthrough procedures and inspecting internal controls reports. • Reconciled a sample of dividends and special dividends received from the income report to an independent pricing source. Recalculated the dividend amount receivable using exchange rates obtained from an independent data vendor and confirmed that the cash received as shown on bank statements is consistent with the recalculated amount. • Reviewed the income report and the acquisition and disposal report produced by the Administrator to identify special dividends recorded in the year. The Group received four special dividends, one classified as revenue and three as capital. We reviewed the underlying circumstances and motives for the payments to verify the classification as revenue or capital, for all special dividends.	**The results of our procedures are:** We have no matters to communicate with respect to the procedures in response to the risk of incorrect or inaccurate income recognition.

Independent auditor's report to the members of TR European Growth Trust PLC (continued)

What is the Risk	What did we do?	What are our conclusions?
As such, there is a manual and judgmental element in classifying special dividends between revenue and capital leading to a risk of incorrect classification. Specifically, in relation to our procedures on management override, we consider the risk that inappropriate journal entries are applied to the income account resulting in a manipulation of the Group's revenue to support performance and dividend targets.	• Tested the completeness of income by selecting a sample of holdings from the portfolio to verify that any dividends that they have declared during the period per an independent source were correctly recorded in the income received report. • Tested the completeness of special dividends by selecting a sample of holdings from the portfolio and used an independent source to determine if any special dividends had been declared by these companies. • To address the risk of management override, we identified all manual journal entries posted to the income account and agreed the recorded amounts and business purpose to dividend announcements.	
Risk of incorrect calculation and allocation of performance fee *(as described on page 32 of the Audit Committee Report and as per the accounting policy set out on page 52).* No performance fee is payable for the year (2019: nil). The Performance fee is calculated as 15% of the outperformance above the Company benchmark (Euromoney European Smaller Companies Index), this is calculated as an average annual total Net Asset Value ('NAV') return against the average annual total return of the benchmark (in percentage terms, not absolute terms). The performance fee calculation includes a hurdle rate of 1.0% over benchmark before any performance fee can be earned. The upper limit for the total fee (including management fee) is 2.0% of NAV of the Company as at the last day of relevant calculation period. There is a risk that the performance fee is not calculated correctly as per the investment management agreement ('IMA') or that the methodology is open to misinterpretation.	**We have performed the following procedures:** • Obtained an understanding of the Manager's and BNP's processes and controls with respect to the net asset value used as a basis for the performance fee calculation by performing walkthrough procedures. • Reviewed the IMA to assess the conditions that result in a performance fee being payable. • Validated applicable external inputs used in the calculations to third party source data, being the share price used as a basis to calculate market capitalisation and the benchmark index. • Reviewed the Administrator's calculation of performance fees for the year ended 30 June 2020 and recalculated the performance fees payable.	**The results of our procedures are:** We have not identified any performance fees that are payable in the year and have no matters to communicate with respect to the calculation.

Independent auditor's report to the members of TR European Growth Trust PLC (continued)

What is the Risk	What did we do?	What are our conclusions?
Incorrect valuation or defective title of the investment portfolio held at fair value through profit and loss *(as described on page 32 of the Audit Committee Report and as per the accounting policy set out on page 52).* The valuation of the Level 1 portfolio at 30 June 2020 was £573.1m (2019: £580.3m) consisting of listed equities. The Group also held Level 3 securities with an aggregate value of £0.1m (2019: £0.1m). Listed investments are valued at fair value, which is deemed to be bid value or the last traded price depending on the convention of the exchange on which the investment is listed. Unlisted investments are valued at fair value by the directors following a detailed review and appropriate challenge of the valuations proposed by the Manager. There is a risk of incorrect valuation of the investment portfolio, or a failure to maintain proper legal title if the assets held by the Company, could have a significant impact on the portfolio valuation, which could result in the financial statements being materially misstated.	**We performed the following procedures:** • Obtained an understanding of the Manager's and BNP's processes and controls surrounding investment pricing and trade processing by performing walkthrough procedures and inspecting internal controls reports. • For all listed investments, reconciled the market values and exchange rates applied to an independent pricing vendor. • Obtained the Manager's analysis of the unquoted investments and agreed the valuation to supporting documentation. Agreed all of the Company's investments to the independent confirmation received from the Company's custodian and depositary as at 30 June 2020.	**The results of our procedures are:** We have no matters to communicate with respect to the procedures that we performed in response to the risk of incorrect valuation and/or defective title of the investment portfolio held at fair value through profit and loss.

Independent auditor's report to the members of TR European Growth Trust PLC (continued)

What is the Risk	What did we do?	What are our conclusions?
Impact of Covid-19 on the Group and its operations (key audit matter) The Covid-19 pandemic has adversely impacted global commercial activity and contributed to significant volatility in global equity and debt markets. This uncertainty had an impact on our risk assessment and, as a result, on our audit of the financial statements. The Covid-19 pandemic and resultant uncertainties had the most significant impact on our audit of the financial statements in the following areas: *Going concern and the viability statement* There is increased risk due to the degree of uncertainty in the assumptions underlying management's assessment of future prospects, including the impact of Covid-19 on the Group continuing to meet its stated objective. *Revenue recognition* There is a risk that revenue could be incorrectly stated due to dividend income accrued at the year-end from underlying investments being subsequently defaulted upon. *Financial statement disclosures* There is a risk that the impact of Covid-19 is not adequately disclosed in the financial statements.	**We have performed the following procedures** *Going concern and the viability statement* • We obtained and reviewed the assessment of going concern which includes consideration of the impact of Covid-19. The assessment took into consideration stressed scenarios including a reverse stress test which calculated what fall in net asset value would be required to cause a breach of the overdraft limit. We reviewed the revenue and cashflow forecasts which take account of the impact Covid-19 may have on the Group and which will support the directors assessment of going concern. • We obtained the business continuity plan and the supporting documentation from underlying service providers that was contained within the Audit Committee and Board packs. We further noted no operational disruptions with service providers from our audit procedures. *Revenue recognition* • In response to the increased likelihood that companies fail to make dividend payments due of Covid-19, we monitored the recoverability of accrued income up to the date of the approval of the annual report and financial statements, by agreeing expected payments to post year-end bank statements. *Financial statement disclosures* • We reviewed the disclosures contained within the annual report and financial statements, including the going concern and viability statements and the commentary in the Fund Manager's Report, to ensure that the impact of Covid-19 has been included as appropriate.	**The results of our procedures are:** Based on the procedures performed, we are satisfied that the directors have appropriately considered the impact of Covid-19 on the operations and financial outlook of the Group and the appropriate disclosures have been made in the financial statements.

We have included a risk in relation to the impact of Covid-19 which was not included in our prior year audit report. This has been included to set out our approach in addressing this new and developing risk.

Independent auditor's report to the members of TR European Growth Trust PLC (continued)

An overview of the scope of our audit

Tailoring the scope

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

Our application of materiality

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

Materiality

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

We determined materiality for the Group to be £5.2 million (2019: £5.2 million), which is 1% (2019: 1%) of Net Assets. We have derived our materiality calculation based on a proportion of net assets as we consider it to be the most important financial metric on which shareholders would judge the performance of the Group.

During the course of our audit, we reassessed initial materiality and found no reason to alter the basis of calculation at year-end.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £3.9m (2019: £3.9m).

Given the importance of the distinction between revenue and capital for the Group, we have also applied a separate testing threshold of £0.3m (2019: £0.3m) for the revenue column of the Group's Statement of Comprehensive Income being 5% of net revenue return on ordinary activities before taxation.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.3m (2019: £0.3m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

Independent auditor's report to the members of TR European Growth Trust PLC (continued)

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

- **Fair, balanced and understandable set out on page 37** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee Report set out on pages 31 to 32** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 25 to 30** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

- In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' Statement of Responsibilities set out on page 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement

Independent auditor's report to the members of TR European Growth Trust PLC (continued)

due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and section 1158 of the Corporation Tax Act 2010.
- We understood how the Group is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to management override in relation to inappropriate journals pertaining to the allocation of special dividends. Further discussion of our approach is set out in the section on the key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Group.
- We have reviewed that the Group's control environment is adequate for the size and operating model of such a listed investment company.

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

Other matters we are required to address

We were appointed by the Company in 2017 to audit the financial statements for the year ended 30 June 2018 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is three years, covering the years ending 30 June 2018 to 30 June 2020.

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

The audit opinion is consistent with the additional report to the Audit Committee

Use of our report

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

Matthew Price (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London
7 October 2020

Notes:

1. The maintenance and integrity of the TR European Growth Trust PLC website is the responsibility of Janus Henderson; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Consolidated Statement of Comprehensive Income

Note		Year ended 30 June 2020 Revenue return £'000	Year ended 30 June 2020 Capital return £'000	Year ended 30 June 2020 Total return £'000	Year ended 30 June 2019 Revenue return £'000	Year ended 30 June 2019 Capital return £'000	Year ended 30 June 2019 Total return £'000
2	Investment income	8,154	–	8,154	14,657	–	14,657
2	Other income	1	–	1	1	–	1
9	Gains/(losses) on investments held at fair value through profit or loss	–	10,433	10,433	–	(51,954)	(51,954)
	Total income/(expense)	**8,155**	**10,433**	**18,588**	**14,658**	**(51,954)**	**(37,296)**
	Expenses						
3	Management and performance fee	(582)	(2,329)	(2,911)	(600)	(2,399)	(2,999)
4	Other operating expenses	(716)	–	(716)	(653)	–	(653)
	Profit/(loss) before finance costs and taxation	**6,857**	**8,104**	**14,961**	**13,405**	**(54,353)**	**(40,948)**
5	Finance costs	(141)	(564)	(705)	(128)	(510)	(638)
	Profit/(loss) before taxation	**6,716**	**7,540**	**14,256**	**13,277**	**(54,863)**	**(41,586)**
6	Taxation	(731)	–	(731)	(1,209)	–	(1,209)
	Profit/(loss) for the year and total comprehensive income	**5,985**	**7,540**	**13,525**	**12,068**	**(54,863)**	**(42,795)**
7	Return per ordinary share – basic and diluted	11.94p	15.05p	26.99p	24.08p	(109.49p)	(85.41p)

The total column of this statement represents the Consolidated Statement of Comprehensive Income, prepared in accordance with IFRS as adopted by the European Union.

The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All income is attributable to the equity holders of TR European Growth Trust PLC, the Parent Company.

The notes on pages 51 to 70 form part of these financial statements

Consolidated and Parent Company Statements of Changes in Equity

Note		Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Consolidated Year ended 30 June 2020						
	Total equity at 1 July 2019	6,264	120,364	13,964	351,150	29,281	521,023
	Total comprehensive income:						
	Profit for the year	–	–	–	7,540	5,985	13,525
	Transfer between reserves	–	–	–	69	(69)	–
	Transactions with owners, recorded directly to equity:						
8	Ordinary dividends paid	–	–	–	–	(11,174)	(11,174)
	Total equity at 30 June 2020	**6,264**	**120,364**	**13,964**	**358,759**	**24,023**	**523,374**

Note		Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Consolidated Year ended 30 June 2019						
	Total equity at 1 July 2018	6,264	120,364	13,964	406,013	27,986	574,591
	Total comprehensive income:						
	(Loss)/profit for the year	–	–	–	(54,863)	12,068	(42,795)
	Transactions with owners, recorded directly to equity:						
8	Ordinary dividends paid	–	–	–	–	(10,773)	(10,773)
	Total equity at 30 June 2019	**6,264**	**120,364**	**13,964**	**351,150**	**29,281**	**521,023**

Note		Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Company Year ended 30 June 2020						
	Total equity at 1 July 2019	6,264	120,364	13,964	352,188	28,243	521,023
	Total comprehensive income:						
	Profit for the year	–	–	–	6,571	6,954	13,525
	Transactions with owners, recorded directly to equity:						
8	Ordinary dividends paid	–	–	–	–	(11,174)	(11,174)
	Total equity at 30 June 2020	**6,264**	**120,364**	**13,964**	**358,759**	**24,023**	**523,374**

Note		Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Company Year ended 30 June 2019						
	Total equity at 1 July 2018	6,264	120,364	13,964	407,053	26,946	574,591
	Total comprehensive income:						
	(Loss)/profit for the year	–	–	–	(54,865)	12,070	(42,795)
	Transactions with owners, recorded directly to equity:						
8	Ordinary dividends paid	–	–	–	–	(10,773)	(10,773)
	Total equity at 30 June 2019	**6,264**	**120,364**	**13,964**	**352,188**	**28,243**	**521,023**

The notes on pages 51 to 70 form part of these financial statements

Consolidated and Parent Company Balance Sheets

Note		At 30 June 2020 Consolidated £'000	At 30 June 2019 Consolidated £'000	At 30 June 2020 Company £'000	At 30 June 2019 Company £'000
	Non current assets				
9	Investments held at fair value through profit or loss	573,086	580,396	573,086	581,365
	Current assets				
12	Receivables	4,453	4,625	4,453	4,625
	Cash and cash equivalents	57	3	57	–
		4,510	**4,628**	**4,510**	**4,625**
	Total assets	**577,596**	**585,024**	**577,596**	**585,990**
	Current liabilities				
13	Payables	(5,941)	(6,721)	(5,941)	(7,687)
	Bank overdrafts	(48,281)	(57,280)	(48,281)	(57,280)
		(54,222)	**(64,001)**	**(54,222)**	**(64,967)**
	Net assets	**523,374**	**521,023**	**523,374**	**521,023**
	Equity attributable to equity shareholders of the Parent Company				
15	Called up share capital	6,264	6,264	6,264	6,264
16	Share premium account	120,364	120,364	120,364	120,364
17	Capital redemption reserve	13,964	13,964	13,964	13,964
	Retained earnings:				
17	Other capital reserves	358,759	351,150	358,759	352,188
18	Revenue reserve	24,023	29,281	24,023	28,243
19	**Total equity**	**523,374**	**521,023**	**523,374**	**521,023**
19	**Net asset value per ordinary share – basic and diluted**	1,044.48p	1,039.79p	1,044.48p	1,039.79p

As permitted by section 408 of the Act, the Company has not presented its own Statement of Comprehensive Income. The profit after taxation of the Company amounted to £13,525,000 (2019: loss of £42,795,000).

The financial statements on pages 47 to 70 were approved and authorised for issue by the Board on 7 October 2020 and signed on its behalf by:

Dan Burgess
Director

The notes on pages 51 to 70 form part of these financial statements

Consolidated and Parent Company Cash Flow Statements

	Year ended 30 June 2020		Year ended 30 June 2019	
	Consolidated £'000	Company £'000	Consolidated £'000	Company £'000
Operating activities				
Profit/(loss) before taxation	14,256	14,256	(41,586)	(41,586)
Add back: interest payable	705	705	638	638
Less: (gains)/losses on investments held at fair value through profit or loss	(10,433)	(10,433)	51,954	51,956
Sales of investments held at fair value through profit or loss	341,928	341,928	350,500	350,500
Purchases of investments held at fair value through profit or loss	(324,358)	(324,358)	(355,397)	(355,397)
Withholding tax on dividends deducted at source	(1,354)	(1,354)	(1,865)	(1,865)
Increase in prepayments and accrued income	(35)	(35)	(159)	(159)
Decrease/(increase) in amounts due from brokers	559	559	(1,675)	(1,675)
Increase/(decrease) in accruals and deferred income	684	687	(1,466)	(1,468)
Decrease/(increase) in amounts due to brokers	(1,464)	(1,464)	560	560
Net cash inflow from operating activities before interest and taxation[1]	**20,488**	**20,491**	**1,504**	**1,504**
Interest paid	(705)	(705)	(638)	(638)
Taxation recovered	271	271	35	35
Net cash inflow from operating activities	**20,054**	**20,057**	**901**	**901**
Financing activities				
Equity dividends paid (net of refund of unclaimed dividends – see note 8)	(11,174)	(11,174)	(10,773)	(10,773)
Net (repayment)/drawdown of bank overdraft	(8,826)	(8,826)	9,754	9,754
Net cash used in financing	**(20,000)**	**(20,000)**	**(1,019)**	**(1,019)**
Increase/(decrease) in cash and cash equivalents	**54**	**57**	**(118)**	**(118)**
Cash and cash equivalents at the start of the year	3	–	121	118
Cash and cash equivalents at the end of the year	**57**	**57**	**3**	**–**
Comprising:				
Cash at bank	57	57	3	–
	57	**57**	**3**	**–**

1 In accordance with IAS7.31 cash inflow from dividends was £7,280,000 (2019: £13,447,000) and cash inflow from interest was £1,000 (2019: £1,000)

The notes on pages 51 to 70 form part of these financial statements

Notes to the Financial Statements

1 Accounting policies

a) Basis of preparation

TR European Growth Trust PLC is a Company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The consolidated and Parent Company financial statements for the year ended 30 June 2020 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and with those parts of the Companies Act 2006 (the 'Act') applicable to companies reporting under IFRS. IFRS comprise standards and interpretations approved by International Accounting Standards Board ('IASB'), together with interpretations of the International Accounting Standards and Standing Interpretations Committee ('IFRS IC') that remain in effect to the extent that IFRS have been adopted by the European Union. The accounting policies have been consistently applied in the current and previous year.

The financial statements have been prepared on a going concern basis. They have also been prepared on the historical cost basis, except for the revaluation of certain financial instruments at fair value through profit and loss. The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for investment trusts issued by the Association of Investment Companies ('AIC') in October 2019 is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on a basis consistent with the recommendations of the SORP.

The financial position of the Group is described in the Strategic Report on pages 1 to 21. Note 14 to the financial statements includes the Group's policies and process for managing its capital; its financial risk management objectives; and details of financial instruments and exposure to credit risk and liquidity risk.

Accounting standards

i) The following new and amended standards are relevant and applicable to the Company and have been adopted although they have no impact on the financial statements:

Amendments to IFRS as adopted by the EU. Pronouncements issued and effective for the current year end:

Standard		Effective for annual periods beginning on or after
IAS 12 Amendment (AI 2015-17)	Income tax consequences of payments on financial instruments classified as equity	1 January 2019
IAS 23 Amendment (AI 2015-17)	Borrowing costs eligible for capitalisation	1 January 2019
IFRS 9 Amendment	Prepayment Features with Negative Compensation	1 January 2019
Interpretations		
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

ii) Relevant new standards, amendments and interpretations issued but not effective for the current financial year and not early adopted by the Company:

Standard		Effective for annual periods beginning on or after
IAS 1 Amendments	Classification of Liabilities as current or non-current	1 January 2022
IAS 1 and IAS 8 Amendments	Definition of Material	1 January 2020
IAS 1, 8, 34, 37, 38 and IFRS 2, 3, 6, 14	Amendment to references to the conceptual framework	1 January 2020
IFRS 3 Amendment	Definition of a Business	1 January 2022
IFRS 9, IAS 39 and IFRS 7 Amendments	Interest Rate Benchmark Reform	1 January 2020
Interpretations		
IFRIC 12, 19, 20, 22 and SIC 32	Amendment to references to the conceptual framework	1 January 2020

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

b) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and of its sole subsidiary undertaking, TREG Finance Limited (the 'subsidiary'), which was placed into liquidation during the year. Consistent accounting policies have been used across the Group. The intragroup balances are eliminated on consolidation. The investment in the subsidiary is recognised at fair value in the financial statements of the Parent Company.

c) Going concern

The Group's shareholders are asked every three years to vote for the continuation of the Company. An ordinary resolution to this effect was put to the annual general meeting held on 25 November 2019 and passed by the substantial majority of the shareholders. The next such resolution will be put to the shareholders at the annual general meeting in 2022. The assets of the Group consist mainly of securities that are listed and readily realisable and, accordingly, the directors believe that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. The directors have also considered the impact of Covid-19, including cash flow forecasting, a review of covenant compliance including the headroom above the most restrictive covenants and an assessment of the liquidity of the portfolio. They have concluded that they are able to meet their financial obligations, including the repayments of the bank overdraft, as they fall due for a least twelve months from the date of issuance. Having assessed these factors, the principal risks and other matters discussed in connection with the viability statement, the Board has decided that it is appropriate for the financial statements to be prepared on a going concern basis.

d) Investments held at fair value through profit or loss

All investments are held at fair value through profit or loss. Investment transactions are accounted for on a trade date basis. 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 in the balance sheet is based on their quoted bid price at the balance sheet date, without deduction of the estimated future selling costs. Unquoted investments (including the Parent Company's investment in its subsidiary) are valued by the directors using primary valuation techniques such as earnings multiples, recent transactions and net assets. The valuation of private equity holdings are determined with regard to the International Private Equity and Venture Capital Guidelines ('IPEV'). All such valuations are reviewed by the Manager's EMEA Pricing Committee and by the directors at least twice each year.

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 Consolidated Statement of Comprehensive Income as 'Gains or losses on 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.

e) Presentation of Consolidated Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the Consolidated Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Consolidated Statement of Comprehensive Income. Additionally, the net revenue is the measure the directors believe appropriate in assessing the Group's compliance with certain requirements set out in s.1158 of the Corporation Tax Act 2010.

f) Income

Dividends receivable on equity shares are recognised as revenue for the year on an ex-dividend basis. Special dividends are treated as revenue return or as capital return, depending on the facts of each individual case. Bank deposit interest is accounted for on an accruals basis.

g) Expenses

All expenses and interest payable are accounted for on an accruals basis. On the basis of the Board's expected long-term split of total returns in the form of capital and revenue returns of 80% and 20%, respectively, the Company charges 80% of its finance costs and management fees to capital. 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. Expenses which are incidental to the purchase or sale of an investment are charged to the capital return column of the Consolidated Statement of Comprehensive Income and allocated to the other capital reserves. All other operating expenses are charged to the revenue return column of the Consolidated Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

h) 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 Consolidated Statement of Comprehensive Income 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 Group's liability for current tax is calculated using the effective tax rate of corporation tax for the accounting period.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Consolidated Statement of Comprehensive Income 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 Consolidated Statement of Comprehensive Income, then no tax relief is transferred to the capital return column.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Investment trusts which have approval as such under s.1158 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Consolidated Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

i) Dividend policy

Dividends payable to shareholders are recognised in the financial statements when they are paid or, in case of final dividends, when they are approved by shareholders. Dividends are dealt with in the Consolidated and Parent Company Statement of Changes in Equity. Following the change to the Company's Articles of Association with effect from 21 November 2016 dividends may be paid from the revenue reserve or realised capital profits.

j) Foreign currency

For the purposes of the consolidated financial statements, the results and financial position of each entity are expressed in pounds Sterling, which is the functional currency of the Company and of its subsidiary and the presentational currency of the Group. Sterling is the functional currency because it is the currency of the primary economic environment in which the Company and its subsidiary operates.

Transactions recorded in overseas currencies during the year are translated into Sterling at the appropriate daily exchange rates. Monetary assets and liabilities and equity investments held at fair value through profit or loss that are denominated in overseas currencies at the balance sheet date are translated into Sterling at the exchange rates ruling at that date. Exchange gains and losses on investments held at fair value through profit or loss are included within 'Gains or losses on investments held at fair value through profit or loss'.

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. In the Consolidated and Parent Company Cash Flow Statements, cash and cash equivalents includes cash in hand and deposits held at call with banks. In the Consolidated and Parent Company Balance Sheets, bank overdrafts are shown within borrowings in current liabilities.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

l) Bank borrowings

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

m) Receivables

Receivables are amounts due from securities sold for future settlement, withholding tax recoverable, prepayments and accrued income in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Receivables are recognised initially at fair value and subsequently measured at amortised cost.

n) Payables

Payables are obligations to pay for securities purchased for future settlement, amounts due to the subsidiary undertaking, accruals and deferred income that have been acquired/incurred in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Payables are recognised initially at fair value and subsequently measured at amortised cost.

o) Repurchase of ordinary shares

The costs of repurchasing ordinary shares, including related stamp duty and transaction costs, are taken directly to equity and dealt with in the Consolidated and Parent Company Statement of Changes in Equity. 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.

p) Capital reserves

Other Capital reserves
Capital reserve arising on investments sold
The following are accounted for in this reserve:

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

Capital reserve arising on revaluation of 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.

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

Capital redemption reserve
The capital redemption reserve represents the nominal value of ordinary shares repurchased and cancelled.

Share capital
Share capital represents the nominal value of ordinary shares issued.

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

q) Key estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates which are reviewed on an ongoing basis. These are based on historical experience and various other factors that are believed to be reasonable under the circumstances. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in notes 9, 10 and 14.5.

The result of these estimates and assumptions form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. There are no material estimates to the carrying value of assets and liabilities in respect of the valuation of unquoted investments. Unquoted investments are valued in accordance with the techniques set out in note 1 d. At the year end, unquoted investments represented 0.01% of net assets (2019: 0.02%). These comprise the entirety of the Group's Level 3 investments.

Under IFRS 10, the directors have assessed the Company to meet the criteria of an investment entity and that this accounting treatment reflects the Company's activities as an investment trust. Therefore any investments in subsidiaries should be carried at fair value through profit or loss in accordance with IFRS 9. However, the principal activity of the subsidiary, TREG Finance Limited (which is controlled by the Company) which is not itself an investment entity, was investment dealing activities and therefore this entity is considered to provide investment related services to the Company and is required to be consolidated under the Investment Entities amendment.

r) Operating segments

Under IFRS 8, operating segments are considered to be components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The directors meet regularly to consider investment strategy and monitor the Company's performance. The Fund Manager, who has been appointed to manage the Company's investments, attends all Board meetings at which investment strategy and performance are discussed. The directors consider that the Group has one operating segment, being the Parent Company's activity of investing in shares and securities primarily for capital appreciation in accordance with the Company's published investment objective. Its subsidiary exists to trade in securities to enhance the Group's returns but has not entered into any such transactions in recent years.

An analysis of investments by country has been provided on page 10. Further analyses of expenses, investment gains or losses, profit and other assets and liabilities by country have not been given as either it is not possible to prepare such information in a meaningful way or the results are not considered to be significant.

2 Investment income

a) Investment income

	2020 £'000	2019 £'000
Overseas dividend income from listed investments	**8,154**	**14,657**

All overseas dividend income is derived from investments in Continental Europe.

As described in note 10, the Company received a dividend from its subsidiary company which has been eliminated on consolidation in the Group financial statements. The dividend has been recognised in the Group accounts as a realised capital gain.

b) Other income

	2020 £'000	2019 £'000
Bank interest	1	–
Interest received on withholding tax refund	–	1
	1	**1**

Notes to the Financial Statements (continued)

3 Management and performance fees

	2020			2019		
	Revenue return £'000	**Capital return £'000**	**Total return £'000**	Revenue return £'000	Capital return £'000	Total return £'000
Management fee	582	2,329	2,911	600	2,399	2,999
Total	**582**	**2,329**	**2,911**	**600**	**2,399**	**2,999**

A summary of the terms of the management agreement is given on page 15.

4 Other operating expenses

	2020 £'000	2019 £'000
Auditor's remuneration:		
– audit services relating to the Group and Parent Company	35	27
– audit services relating to the subsidiary undertaking	–	1
Directors' fees and expenses[1]	198	144
Other expense[2]	70	70
Custody fees	147	154
Depositary charges	42	43
Printing	15	20
AIC fee	21	21
Irrecoverable VAT	44	40
Other expenses	144	133
	716	**653**

1 See Directors' Remuneration Report on pages 33 and 34 for more details on remuneration and expenses
2 Other expenses payable to the management company relate to marketing activities

5 Finance costs

	2020			2019		
	Revenue return £'000	**Capital return £'000**	**Total return £'000**	Revenue return £'000	Capital return £'000	Total return £'000
Bank overdraft interest	141	564	705	128	510	638

Notes to the Financial Statements (continued)

6 Taxation

a) Analysis of charge in year

	2020 Revenue return £'000	2020 Capital return £'000	2020 Total return £'000	2019 Revenue return £'000	2019 Capital return £'000	2019 Total return £'000
Foreign withholding taxes	1,397	–	1,397	1,865	–	1,865
Overseas tax reclaimable	(666)	–	(666)	(656)	–	(656)
Total current tax for the year (see note 6 b)	**731**	**–**	**731**	**1,209**	**–**	**1,209**

b) Factors affecting tax charge for the year

The standard rate of corporation tax in the UK is 19% with effect from 1 April 2017. The tax assessed for the year ended 30 June 2020 is lower than the effective rate of corporation tax of 19.00% (2019: 19.00%).

	2020 Revenue return £'000	2020 Capital return £'000	2020 Total return £'000	2019 Revenue return £'000	2019 Capital return £'000	2019 Total return £'000
Net profit/(loss) on ordinary activities before taxation	**6,716**	**7,540**	**14,256**	13,277	(54,863)	(41,586)
Corporation tax at 19.00% (2019: 19.00%)	1,276	1,433	2,709	2,523	(10,424)	(7,901)
Effects of:						
(Gains)/losses on investments held not taxable	–	(1,983)	(1,983)	–	9,871	9,871
Capital expense unutilised for tax purposes	–	550	550	–	553	553
Non-taxable dividends	(1,549)	–	(1,549)	(2,711)	–	(2,711)
Overseas tax	731	–	731	1,209	–	1,209
Losses available to be utilised	273	–	273	188	–	188
Tax charge	**731**	**–**	**731**	**1,209**	**–**	**1,209**

c) Provision for deferred taxation

No provision for deferred taxation has been made in the current year or in the prior year. Due to the Company's tax status as an investment trust and the intention to continue meeting the conditions required to maintain approval of such status in the foreseeable future, the Company has not provided deferred tax on any capital gains arising on the revaluation or disposal of investments.

d) Factors that may affect future tax charges

The Group has not recognised deferred tax assets of £8,509,000 (2019: £6,909,000) arising as a result of loan relationship deficits and excess management expenses. These expenses will only be utilised if the Group has profits chargeable to corporation tax in the future.

Notes to the Financial Statements (continued)

7 Return per ordinary share

The return per ordinary share figure is based on the net gain for the year of £13,525,000 (2019: loss £42,795,000) and on the weighted average number of ordinary shares in issue during the year of 50,108,397 (2019: 50,108,397).

The return per ordinary share figure detailed above can be further analysed between revenue and capital, as below. 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.

	2020 £'000	2019 £'000
Net revenue profit	5,985	12,068
Net capital profit/(loss)	7,540	(54,863)
Net profit/(loss)	**13,525**	**(42,795)**
Weighted average number of ordinary shares in issue during the year	50,108,397	50,108,397

	2020 Pence	2019 Pence
Revenue return per ordinary share	11.94	24.08
Capital return per ordinary share	15.05	(109.49)
Total return per ordinary share	**26.99**	**(85.41)**

8 Dividends

	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend of 14.50p for the year ended 30 June 2019 (2018: 14.00p)	7,266	7,015
Interim dividend of 7.80p per ordinary share for the year ended 30 June 2020 (2019: 7.50p)	3,908	3,758
	11,174	**10,773**

The final dividend of 14.50p per ordinary share in respect of the year ended 30 June 2019 was paid on 29 November 2019 to shareholders on the Register of Members at the close of business on 25 October 2019. The total dividend paid amounted to £7,266,000.

Subject to approval at the annual general meeting in November 2020, the proposed final dividend of 14.20p per ordinary share will be paid on 27 November 2020 to shareholders on the Register of Members at the close of business on 23 October 2020. The shares will be quoted ex-dividend on 22 October 2020.

The proposed final dividend for the year ended 30 June 2020 has not been included as a liability in these financial statements. Under IFRS, these dividends are not recognised until approved by shareholders.

The total dividends payable in respect of the financial year which form the basis of s.1158 are set out below:

	Consolidated		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Revenue available for distribution by way of dividends for the year	5,985	12,068	6,954	12,070
Interim dividend of 7.80p per ordinary share for the year ended 30 June 2020 (2019: 7.50p)	(3,908)	(3,758)	(3,908)	(3,758)
Proposed final dividend for the year ended 30 June 2020 – 14.20p (2019: 14.50p) (based on 50,108,397 shares in issue at 7 October 2020)	(7,115)	(7,266)	(7,115)	(7,266)
Revenue (shortfall)/surplus	**(5,038)**	**1,044**	**(4,069)**	**1,046**

For s.1158 purposes the Company had no undistributed revenue for the year (2019: 7.8%).

Notes to the Financial Statements (continued)

9 Investments held at fair value through profit or loss

a) Consolidated

	2020 £'000	2019 £'000
Valuation at 1 July	580,396	626,057
Investment holding gains at 1 July	(7,229)	(61,035)
Cost at 1 July	**573,167**	**565,022**
Purchases at cost	324,358	355,397
Sales at cost	(333,499)	(347,252)
Cost at 30 June	**564,026**	**573,167**
Investment holding gains at 30 June	9,060	7,229
Valuation of investments at 30 June	**573,086**	**580,396**

The group received £341,928,000 (2019: £350,500,000) from investments sold in the year. The book cost of these investments when they were purchased were £333,499,000 (2019: £347,252,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Included in the total investments are investments shown at the directors' fair valuation of £77,000 and classified as Level 3 investments (2019: £103,000). Further detail is provided in note 14.5 on page 66.

b) Company

	2020 Investments £'000	2020 Subsidiary undertaking £'000	2020 Total £'000	2019 Investments £'000	2019 Subsidiary undertaking £'000	2019 Total £'000
Valuation at 1 July	**580,396**	**969**	**581,365**	626,057	971	627,028
Investment holding gains at 1 July	(7,229)	(969)	(8,198)	(61,035)	(971)	(62,006)
Cost at 1 July	573,167	–	573,167	565,022	–	565,022
Purchases at cost	324,358	–	324,358	355,397	–	355,397
Sales at cost	(333,499)	–	(333,499)	(347,252)	–	(347,252)
Cost at 30 June	564,026	–	564,026	573,167	–	573,167
Investment holding gains at 30 June	9,060	–	9,060	7,229	969	8,198
Valuation of investments at 30 June	**573,086**	**–**	**573,086**	**581,365**	**969**	**582,334**

Included in the total investments are unquoted investments shown at the directors' fair valuation of £77,000 and classified as Level 3 investments (2019: £1,072,000). Further detail is provided in note 14.5 on page 66.

Purchase and sale transaction costs for the Company during the year ended 30 June 2020 were £282,000 and £131,000 respectively (2019: transaction costs of purchases £287,000; transaction costs of sales £144,000). These comprise mainly stamp duty and commission.

c) Total capital gains/(losses) from investments

	2020 £'000	2019 £'000
Realised gains based on historical cost	8,500	3,248
Less revaluation gains recognised in previous years	(8,757)	(30,546)
(Losses)/gains on investments sold in year on carrying value at the previous balance sheet date	**(257)**	**(27,298)**
Revaluation of investments held at 30 June	10,588	(23,260)
Exchange gains/(losses)	102	(1,396)
Total	**10,433**	**(51,954)**

Notes to the Financial Statements (continued)

10 Subsidiaries and related undertakings

The Company had one related undertaking, a subsidiary in which it held 100% of the interest. The subsidiary, TREG Finance Limited, was registered in England and Wales and operated in the United Kingdom as an investment dealing company. The entire issued share capital of £2 consisted of two ordinary shares held directly by the Company. Its registered office was 201 Bishopsgate, London EC2M 3AE. The investment was stated in the Company's financial statements at the NAV, which was considered by the directors to equate to fair value. The amount due to the subsidiary company at 30 June 2020 amounted to £nil (2019: £968,000). The subsidiary was consolidated and this payable has been eliminated on consolidation. The subsidiary's loss for the year was £nil (2019: £2,000). During the prior year, the directors reviewed the business purpose of the subsidiary and determined that it would be in the best interests of shareholders to liquidate it. During the year the liquidation process began and the remaining reserves in the subsidiary were paid to the Company.

11 Substantial interests

The Group has interests of 3% or more of any class of capital in four investee companies. These investments are not considered by the directors to be significant in the context of these financial statements.

Company	Valuation £'000	% of issued share capital
Singulus Technologies	1,625	4.9
Indel	2,681	3.3
21 Centrale Partners III	77	3.0

The Company also has an interest of more than 3% in Safwood. Safwood is a Level 3 security and valued at zero in the portfolio at 30 June 2020.

12 Receivables

	Consolidated		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Securities sold for future settlement	2,063	2,622	2,063	2,622
Withholding tax recoverable	1,884	1,532	1,884	1,532
Prepayments and accrued income	506	471	506	471
	4,453	**4,625**	**4,453**	**4,625**

13 Payables

	Consolidated		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Securities purchased for future settlement	4,211	5,675	4,211	5,675
Amount due to subsidiary undertaking	–	–	–	968
Accruals and deferred income	1,730	1,046	1,730	1,044
	5,941	**6,721**	**5,941**	**7,687**

Notes to the Financial Statements (continued)

14 Risk management policies and procedures

As an investment trust the Company invests in equities and other investments for the long term so as to secure its investment objectives as stated in the Strategic Report. In pursuing its investment objective, the Group is exposed to a variety of financial risks that could result in either a reduction in the Group'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 and the Manager co-ordinate the Group's risk management and there are various risk management systems in place as detailed below.

The Board determines the objectives, policies and processes for managing risks, and these are set out below under the relevant risk category. The policies for management of risk have not changed from the previous accounting period and are the same for the Group and the Company except where separate disclosures are made.

14.1 Market risk

The fair value of a financial instrument held by the Group may fluctuate due to changes in market prices. Market risk comprises market price risk (see note 14.1.1), currency risk (see note 14.1.2) and interest rate risk (see note 14.1.3). the Manager 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.

14.1.1 Market price risk

Market price risks (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the fair value of the listed and unquoted investments.

Management of the risk

The Board manages the risks inherent in the investment portfolio by ensuring full and timely reporting of relevant information from the Manager. Investment performance is reviewed at each Board meeting. The Board monitors the Manager's compliance with the Group's objectives.

The Group's exposure to changes in market prices on equity investments was £573,086,000 (2019: £580,396,000).

Concentration of exposure to market price risk

A geographical analysis of the Group's investment portfolio is shown on page 10.

Market price risk sensitivity

The sensitivity of (a) the return after taxation for the year and (b) the Group's net assets to an increase or decrease of 20% in the fair values of the Company's investments at each balance sheet date is given overleaf. This level of change is considered to be reasonably possible, based on observation of current market conditions.

The impact of a 20% increase in the value of the investments on the revenue return as at 30 June 2020 is a decrease of £115,000 (2019: £116,000) and on the capital return is an increase of £114,159,000 (2019: £115,522,000). Accordingly, the total impact on shareholders' funds is an increase of £114,044,000 (2019: £115,383,000).

The impact of a 20% decrease in the value of the investments on the revenue return as at 30 June 2020 is an increase of £115,000 (2019: £116,000) and on the capital return is a decrease of £114,159,000 (2019: £115,522,000). Accordingly, the total impact on shareholders' funds is a decrease of £114,044,000 (2019: £115,383,000).

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.1.2 Currency risk

A proportion of the Group's assets, liabilities, income and expenses are denominated in currencies other than Sterling (the Group'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
The Manager monitors the Group's exposure to foreign currencies on a daily basis and reports to the Board at each Board meeting. The Manager measures the risk to the Group of the foreign currency exposure by considering the effect on the Group's NAV and total return of a movement in the exchange rate to which the Group's assets, liabilities, income and expenses are exposed.

Foreign currency borrowing and financial instruments may be used to limit the Group's exposure to future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. Borrowings are limited to 30% of NAV.

Investment income denominated in foreign currencies is converted into Sterling on receipt. The Group does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

Foreign currency exposure
The fair values of the Group's monetary items that have foreign currency exposure at the year end are shown below. Where the Group's equity investments (which are not monetary items) are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

2020	**Euro £'000**	**Swedish Krone £'000**	**Swiss Franc £'000**	**Other £'000**
Receivables (securities sold for future settlement, dividends and other income receivable)	1,502	549	2,168	223
Payables (securities purchased for future settlement, accruals and other payables)	(338)	(76)	(108)	(3,736)
Bank overdrafts	(48,281)	–	–	–
Total foreign currency exposure on net monetary items	**(47,117)**	**473**	**2,060**	**(3,513)**
Investments	399,996	68,474	58,954	39,876
Total net foreign currency exposure	**352,879**	**68,947**	**61,014**	**36,363**

2019	Euro £'000	Swedish Krone £'000	Swiss Franc £'000	Other £'000
Receivables (securities sold for future settlement, dividends and other income receivable)	3,781	41	558	232
Payables (securities purchased for future settlement, accruals and other payables)	(2,756)	(116)	–	(2,857)
Bank overdrafts	(57,280)	–	–	–
Total foreign currency exposure on net monetary items	**(56,255)**	**(75)**	**558**	**(2,625)**
Investments	391,693	70,756	54,061	56,933
Total net foreign currency exposure	**335,438**	**70,681**	**54,619**	**54,308**

The above amounts are representative of the exposure to risk during the year, although levels of monetary foreign currency exposure in each currency will change as investments are bought and sold in the portfolio during the year.

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.1.2 Currency risk (continued)

Foreign currency sensitivity

The following tables illustrate the sensitivity of the total profit after tax for the year and the net assets in regard to movements in the Company's foreign currency financial assets and financial liabilities caused by changes in the exchange rates for the Euro/Sterling, Swedish Krone/Sterling, Swiss Franc/Sterling and other/Sterling.

It assumes the following changes in exchange rates:

Euro/Sterling +/- 10% (2019: 10%). Swedish Krone/Sterling +/- 10% (2019: 10%).
Swiss Franc/Sterling +/- 10% (2019: 10%). Other/Sterling +/- 10% (2019: 10%).

These percentages are deemed reasonable based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial assets and financial liabilities held at each balance sheet date.

The impact on the total profit after tax and the year end net assets of a depreciation in the year end exchange rate for Sterling against the currencies shown would have been as follows:

	2020				2019			
	Euro £'000	Swedish Krone £'000	Swiss Franc £'000	Other £'000	Euro £'000	Swedish Krone £'000	Swiss Franc £'000	Other £'000
Profit after tax								
Revenue return	464	52	168	26	560	117	36	84
Capital return	44,228	7,571	6,518	4,410	43,309	7,823	5,978	6,296
Change to profit after tax for the year	**44,692**	**7,623**	**6,686**	**4,436**	**43,869**	**7,940**	**6,014**	**6,380**
Impact on net assets	**44,692**	**7,623**	**6,686**	**4,436**	**43,869**	**7,940**	**6,014**	**6,380**

The impact on the total profit after tax and the year end net assets of an appreciation in the year end exchange rate for Sterling against the currencies shown would have been as follows:

	2020				2019			
	Euro £'000	Swedish Krone £'000	Swiss Franc £'000	Other £'000	Euro £'000	Swedish Krone £'000	Swiss Franc £'000	Other £'000
Profit after tax								
Revenue return	(379)	(42)	(137)	(22)	(1,181)	(97)	(30)	(67)
Capital return	(36,186)	(6,195)	(5,333)	(3,607)	(35,431)	(6,401)	(4,891)	(5,150)
Change to profit after tax for the year	**(36,565)**	**(6,237)**	**(5,470)**	**(3,629)**	**(36,612)**	**(6,498)**	**(4,921)**	**(5,217)**
Impact on net assets	**(36,565)**	**(6,237)**	**(5,470)**	**(3,629)**	**(36,612)**	**(6,498)**	**(4,921)**	**(5,217)**

The above amounts are representative of the exposure to risk during the year, although levels of monetary foreign currency exposure in each currency will change as investments are bought and sold in the portfolio during the year.

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.1.3 Interest rate risk

Interest rate movements may affect the level of interest receivable from cash and cash equivalents and the interest payable on the Group's short term borrowings. Interest rate changes may also have an impact on the market value of the Company's equity investments. In particular, the effect of interest rate changes on the earnings of companies held within the portfolio may have a significant impact on the valuations of those companies.

Management of the risk
The Group finances part of its activities through borrowings at levels approved and monitored by the Board. Derivative contracts are not used to hedge against the exposure to interest rate risk.

Interest rate exposure
The exposure of financial assets and liabilities to floating interest rate risk can be found on the Consolidated and Parent Company Balance Sheets under the headings 'Cash and cash equivalents' and 'Bank overdrafts'. These amounts are not necessarily representative of the exposure to interest rates during the year as the level of exposure changes as investments are made, borrowings are drawn down and repaid. The Group does not have any fixed interest rate exposure.

Interest received on cash balances or paid on the bank overdraft is at a margin of up to 1.25% of the applicable base rate (2019: same).

Interest rate sensitivity
The impact on the total profit after tax and the year end net assets of an increase or decrease of 100 basis points (2019: 100 basis points) in interest rates would have been as follows:

Consolidated Statement of Comprehensive Income	**Increase in rates 2020 £'000**	**Decrease in rates 2020 £'000**	Increase in rates 2019 £'000	Decrease in rates 2019 £'000
Profit after tax				
Revenue return	(96)	96	(115)	115
Capital return	(386)	386	(458)	458
Change to net profit and net assets	**(482)**	**482**	**(573)**	**573**

This level of change is considered to be reasonable based on current market conditions.

In the opinion of the directors, these sensitivity analyses are representative, although the sensitivity to interest rate risk will vary should the level of borrowings change materially during the year.

14.2 Liquidity risk

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

Management of the risk
Liquidity risk is not significant as the majority of the Group's assets are investments in listed securities that are readily realisable. During the year the Group had a secured multi-currency overdraft facility equal to the lesser of £100,000,000 (2019: £100,000,000) and 25% (2019: same) of custody assets with HSBC Bank plc, the Company's depositary and custodian.

The amount drawn down at 30 June 2020 was £48,281,000 (2019: £57,280,000) in Euros (2019: same).

The Board gives guidance to the Manager 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.

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.2 Liquidity risk (continued)

Liquidity risk exposure
The remaining contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required, was as follows:

	2020 3 months or less £'000	2020 Total £'000	2019 3 months or less £'000	2019 Total £'000
Current liabilities:				
Borrowings under the overdraft facility	48,281	48,281	57,280	57,280
Amounts due in relation to securities purchased for future settlement and accruals	5,941	5,941	6,721	6,721
	54,222	**54,222**	**64,001**	**64,001**

The Company's cash balances are offset against its borrowings under the overdraft facility for the purposes of monitoring the level of borrowing within the overdraft limit.

14.3 Credit risk

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

Management of the risk
Credit risk is managed as follows:

- transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Group of default;
- investment transactions are carried out with a large number of approved brokers, whose credit-standard is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker; and
- cash is held only with the custodian/depositary or reputable banks. The entity with which cash is held is subject to continual review.

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

Outstanding settlements are subject to credit risk. Credit risk is mitigated by the Group through its decision to transact with counterparties of high credit quality. The Group only buys and sells investments through brokers which are approved counterparties, thus minimising the risk of default during settlement. The credit ratings of brokers are reviewed periodically by the Manager and limits are set on the amount that may be due from any one broker.

The Group is also exposed to credit risk through the use of banks for its cash position. Bankruptcy or insolvency of banks may cause the Group's rights with respect to cash held by banks to be delayed or limited. The Group's cash balances are held by the custodian, HSBC Bank plc. The directors believe this counterparty is of high credit quality; therefore the Group has minimal exposure to credit risk.

Credit risk exposure
The table below summarises the maximum credit risk exposure of the Group as at the year end:

	2020 £'000	2019 £'000
Receivables:		
Securities sold for future settlement	2,063	2,622
Accrued income	495	458
Cash and cash equivalents	57	3
	2,615	**3,083**

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.4 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 their carrying amount is a reasonable approximation of fair value due to their short term to maturity (amounts due from securities sold for future settlement, dividends and interest receivable, amounts related to securities purchased for future settlement, accruals, cash and cash equivalents and bank overdrafts).

14.5 Fair value hierarchy disclosures

The table below sets out the fair value measurements using the IFRS 13 fair value hierarchy.

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

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

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

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

The valuation techniques used by the Company are explained in the accounting policies note on page 52.

Fair value hierarchy	Group 2020 £'000	Company 2020 £'000
Equity Investments		
Level 1	573,009	573,009
Level 2	–	–
Level 3	77	77
Total	**573,086**	**573,086**

Level 3 represents the Group's and Company's unquoted investments. A reconciliation of fair value movements within Level 3 is set out below:

Level 3 investments at fair value through profit or loss	Group 2020 £'000	Company 2020 £'000
Opening balance	103	1,072
Acquisitions	–	–
Disposal proceeds	–	–
Transfers into level	–	–
	103	**1,072**
Total gains included in the Consolidated Statement of Comprehensive Income		
On assets sold	–	(969)
On assets held at the year end	(26)	(26)
	(26)	**(995)**
Closing balance	**77**	**77**

Fair value hierarchy	Group 2019 £'000	Company 2019 £'000
Equity Investments		
Level 1	580,293	580,293
Level 2	–	–
Level 3	103	1,072
Total	**580,396**	**581,365**

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.5 Fair value hierarchy disclosures (continued)

Level 3 investments at fair value through profit or loss	Group 2019 £'000	Company 2019 £'000
Opening balance	18,649	19,620
Acquisitions	–	–
Disposal proceeds	(19,010)	(19,010)
Transfers into level	–	–
	(361)	**610**
Total gains included in the Consolidated Statement of Comprehensive Income		
On assets sold	475	475
On assets held at the year end	(11)	(13)
	464	**462**
Closing balance	**103**	**1,072**

The key inputs to unquoted investments (i.e the holdings in 21 Centrale Partners III) included within Level 3 are net asset value statements provided by investee entities, which represent fair value.

The total value of unquoted investments as at 30 June 2020 was £77,000 (2019: £103,000).

14.6 Capital management policies and procedures

The Group's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The portfolio includes unquoted investments which total 0.01% of the total portfolio (2019: 0.02%). These unquoted investments include limited liability partnerships (where the valuations are based on accounts produced by those companies).

The Group's capital at 30 June 2020 comprised its equity share capital, reserves and debt that are shown in the Consolidated and Parent Company Balance Sheets at a total of £571,655,000 (2019: £578,303,000).

The Board, with assistance of the Manager, monitors and reviews the broad structure of the Group'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 NAV per share and the share price (i.e. the level of share price discount or premium);
- the need 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 policies and processes for managing capital are unchanged from the preceding accounting period. The Company is subject to the following externally imposed capital requirements:

- as a public company, the Company has a minimum share capital of £50,000; and
- in order to be able to pay dividends out of profits available for distribution 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.

Notes to the Financial Statements (continued)

15 Called up share capital (Group & Company)

	2020 number of shares	2020 £'000	2019 number of shares	2019 £'000
Allotted, issued and fully paid				
Ordinary shares of 12.5p	**50,108,397**	**6,264**	50,108,397	6,264

During the year no ordinary shares were issued (2019: same). In the current and prior financial year to date, the Company has not repurchased any shares for cancellation.

16 Share premium account

	Group and Company 2020 £'000	Group and Company 2019 £'000
At 1 July and 30 June	120,364	120,364

17 Capital redemption reserve and other capital reserves

a) Consolidated 2020

2020	Capital redemption reserve £'000	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Other capital reserves £'000
At 1 July 2019	13,964	7,232	343,918	351,150
Transfer between reserves	–	–	69	69
Transfer on disposal of investments (see note 9 c)	–	(8,757)	8,757	–
Capital gains for the year	–	10,585	(254)	10,331
Expenses, finance costs and taxation charged to capital	–	–	(2,893)	(2,893)
Net gains on foreign exchange	–	–	102	102
At 30 June 2020	**13,964**	**9,060**	**349,699**	**358,759**

Consolidated 2019

2019	Capital redemption reserve £'000	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Other capital reserves £'000
At 1 July 2018	13,964	61,038	344,975	406,013
Transfer on disposal of investments (see note 9 c)	–	(30,546)	30,546	–
Capital losses for the year	–	(23,260)	(27,298)	(50,558)
Expenses, finance costs and taxation charged to capital	–	–	(2,909)	(2,909)
Net losses on foreign exchange	–	–	(1,396)	(1,396)
At 30 June 2019	**13,964**	**7,232**	**343,918**	**351,150**

Notes to the Financial Statements (continued)

17 Capital redemption reserve and other capital reserves (continued)

b) Company 2020

2020	Capital redemption reserve £'000	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Other capital reserves £'000
At 1 July 2019	13,964	8,201	343,987	352,188
Transfer on disposal of investments (see note 9 c)	–	(8,757)	8,757	–
Capital gains for the year	–	9,616	(254)	9,362
Expenses, finance costs and taxation charged to capital	–	–	(2,893)	(2,893)
Net gain on foreign exchange	–	–	102	102
At 30 June 2020	**13,964**	**9,060**	**349,699**	**358,759**

Company 2019

2019	Capital redemption reserve £'000	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Other capital reserves £'000
At 1 July 2018	13,964	62,009	345,044	407,053
Transfer on disposal of investments (see note 9 c)	–	(30,546)	30,546	–
Capital losses for the year	–	(23,262)	(27,298)	(50,560)
Expenses, finance costs and taxation charged to capital	–	–	(2,909)	(2,909)
Net losses on foreign exchange	–	–	(1,396)	(1,396)
At 30 June 2019	**13,964**	**8,201**	**343,987**	**352,188**

18 Retained earnings – revenue reserve

	Consolidated		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
At 1 July	29,281	27,986	28,243	26,946
Adjustment to subsidiary	(69)	–	–	–
	29,212	**27,986**	**28,243**	**26,946**
Ordinary dividends paid	(11,174)	(10,773)	(11,174)	(10,773)
Revenue return for the year	5,985	12,068	6,954	12,070
At 30 June	**24,023**	**29,281**	**24,023**	**28,243**

Notes to the Financial Statements (continued)

19 Net asset value per ordinary share

The NAV per ordinary share is based on the net assets attributable to the ordinary shares of £523,374,000 (2019: £521,023,000) and on the 50,108,397 ordinary shares in issue at 30 June 2020 (2019: 50,108,397).

The Company has no securities in issue that could dilute the NAV per ordinary share (2019: same). The NAV per ordinary share at 30 June 2020 was 1,044.48p (2019: 1,039.79p).

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

	2020 £'000	2019 £'000
Net assets attributable to ordinary shares at start of year	521,023	574,591
Profit/(loss) for the year	13,525	(42,795)
Dividends paid in the year	(11,174)	(10,773)
Net assets at 30 June	**523,374**	**521,023**

20 Capital commitments and contingent liabilities

At 30 June 2020 there were no capital commitments or contingent liabilities (2019: same).

21 Transactions with the Manager and related parties

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

Details of the arrangements are given on page 15 in the Strategic Report. The total of the management fee paid or payable to the Manager under the management agreement in respect of the year ended 30 June 2020 was £2,911,000 (2019: £2,999,000), of which £1,352,000 was outstanding at 30 June 2020 (2019: £776,000).

In addition to the above services, the Manager facilitates marketing activities with third-parties which are recharged to the Company. The total fees paid or payable for these services for the year ended 30 June 2020 amounted to £70,000 excluding VAT (2019: £70,000), of which £97,000 was outstanding at 30 June 2020 (2019: £75,000).

The compensation payable to key management personnel in respect of short term employment benefits was £185,000. This disclosure relates wholly to the fees of £185,000 payable to the directors in respect of the year (2019: £141,000); the directors are all non-executive and receive no other compensation. The Directors' Remuneration Report on pages 33 and 34 provides more detail. The Company has no employees.

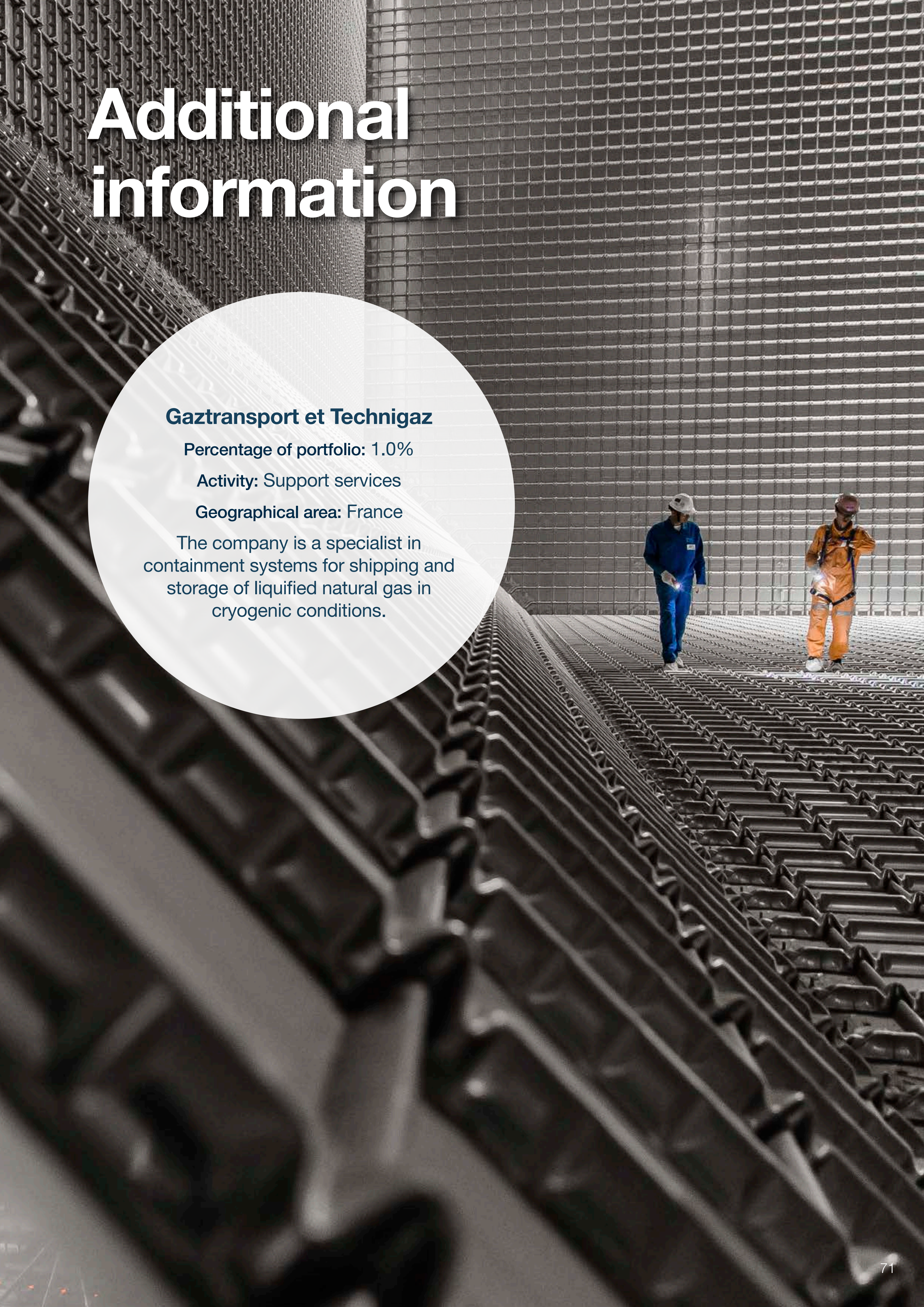
The Company has paid administrative expenses on behalf of its subsidiary, TREG Finance Limited, totalling £nil (2019: £2,000).

22 Change in financial liabilities

	At 1 July 2019 £'000	Cash flows £'000	Non-cash changes foreign exchange movement £'000	**At 30 June 2020 £'000**
Bank overdrafts	(57,280)	8,826	173	(48,281)
Total	**(57,280)**	**8,826**	**173**	**(48,281)**

	At 1 July 2018 £'000	Cash flows £'000	Non-cash changes foreign exchange movement £'000	At 30 June 2019 £'000
Bank overdrafts	(46,130)	(9,754)	(1,396)	(57,280)
Total	**(46,130)**	**(9,754)**	**(1,396)**	**(57,280)**

Additional information



Gaztransport et Technigaz

Percentage of portfolio: 1.0%

Activity: Support services

Geographical area: France

The company is a specialist in containment systems for shipping and storage of liquified natural gas in cryogenic conditions.

Investment portfolio at 30 June 2020 (unaudited)

Ranking 2020	Ranking 2019	Company	Principal activities	Industry Groups	Geographical area	Valuation 2020 £'000	Percentage of portfolio
1	2	TKH	Electronic & electrical equipment	Industrial Goods	Netherlands	13,786	2.4
2	3	DFDS	Industrial transportation	Business Providers	Denmark	13,439	2.3
3	4	Nexans	Electronic & electrical equipment	Industrial Goods	France	11,898	2.1
4	86	HelloFresh	Food & drug retailers	Retail Providers	Germany	11,502	2.0
5	1	Van Lanschot Kempen	Banks	Financial	Netherlands	11,495	2.0
6	54	Medios	Pharmaceuticals & biotechnology	Consumer Goods	Germany	10,806	1.9
7	51	Finecobank	Banks	Financial	Italy	10,802	1.9
8	11	S.O.I.T.E.C	Technology hardware & equipment	Technology	France	10,127	1.8
9	7	Banca Farmafactoring	Banks	Financial	Italy	9,642	1.7
10	34	Outotec	Industrial engineering	Industrial Goods	Finland	9,049	1.6
		10 Largest				**112,546**	**19.7%**
11	18	Zur Rose	Food & drug retailers	Retail Providers	Switzerland	8,409	1.5
12	23	Aareal Bank	Financial services	Financial	Germany	8,392	1.5
13	88	Befesa	Support services	Industrial Goods	Germany	8,182	1.4
14	8	Karnov	Leisure goods	Consumer Goods	Sweden	7,918	1.4
15	60	Trigano	Leisure goods	Consumer Goods	France	7,772	1.3
16	89	ALSO	Technology hardware & equipment	Business Providers	Switzerland	7,588	1.3
17	–	SoftwareONE	Software & computer services	Technology	Germany	7,560	1.3
18	6	Dermapharmaceutical	Pharmaceuticals & biotechnology	Consumer Goods	Germany	7,337	1.3
19	21	Recticel	Chemicals	Basic Materials	Belgium	6,842	1.2
20	10	Conzzeta	Industrial engineering	Industrial Goods	Switzerland	6,780	1.2
		20 Largest				**189,326**	**33.1%**
21	35	Anima	Financial services	Financial	Italy	6,733	1.2
22	102	Deutz	Industrial engineering	Industrial Goods	Germany	6,684	1.2
23	22	Mersen	Electronic & electrical equipment	Industrial Goods	France	6,420	1.1
24	14	SAES Getters	Electronic & electrical equipment	Technology	Italy	6,405	1.1
25	76	Criteo	Software & computer services	Technology	France	6,235	1.1
26	–	Embracer	Software & computer services	Technology	Sweden	6,189	1.1
27	17	Boskalis Westminster	Construction & materials	Basic Materials	Netherlands	6,061	1.1
28	29	PVA	Technology hardware & equipment	Technology	Germany	6,011	1.0
29	5	Gaztransport et Technigaz	Support services	Industrial Goods	France	5,910	1.0
30	–	BHG	General retailers	Consumer Goods	Sweden	5,872	1.0
		30 Largest				**251,846**	**44.0%**
31	–	eDreams ODIGEO	Travel & leisure	Consumer Goods	Spain	5,743	1.0
32	13	Kindred	Travel & leisure	Retail Providers	Sweden	5,709	1.0
33	27	Tikehau	Financial services	Financial	France	5,549	1.0
34	–	Comet	Electronic & electrical equipment	Industrial Goods	Switzerland	5,475	0.9
35	97	Daetwyler	General industrials	Industrial Goods	Switzerland	5,389	0.9
36	140	Boozt	General retailers	Technology	Sweden	5,324	0.9
37	19	Evotec	Pharmaceuticals & biotechnology	Consumer Goods	Germany	5,292	0.9
38	16	Caverion	Support services	Basic Materials	Finland	5,073	0.9
39	82	Vetropack	General industrials	Industrial Goods	Switzerland	4,986	0.9
40	66	Kaufman & Broad	Household goods & home construction	Consumer Goods	France	4,972	0.9
		40 Largest				**305,358**	**53.3%**
41	–	GVS	Chemicals	Basic Materials	Italy	4,865	0.8
42	32	OC Oerlikon	Industrial engineering	Industrial Goods	Switzerland	4,808	0.8
43	39	Credito Emiliano	Banks	Financial	Italy	4,710	0.8
44	57	Corticeira Amorim	General industrials	Basic Materials	Portugal	4,648	0.8
45	62	Academedia	General retailers	Business Providers	Sweden	4,644	0.8
46	24	Nobia	Household goods & home construction	Consumer Goods	Sweden	4,632	0.8
47	41	Swissquote	Financial services	Financial	Switzerland	4,459	0.8
48	12	Dometic	Leisure goods	Industrial Goods	Sweden	4,405	0.8
49	–	NOS SGPS	Fixed Line Telecommunications	Telecommunications	Portugal	4,356	0.8
50	–	ASM International	Technology hardware & equipment	Technology	Netherlands	4,298	0.7
		50 Largest				**351,183**	**61.2%**

Investment portfolio at 30 June 2020 (unaudited) (continued)

Ranking 2020	Ranking 2019	Company	Principal activities	Industry Groups	Geographical area	Valuation 2020 £'000	Percentage of portfolio
51	78	Cerved Information Solutions	Support services	Industrial Goods	Italy	4,160	0.7
52	–	Piaggio	Automobiles & parts	Consumer Goods	Italy	4,135	0.7
53	58	Sanoma	Media	Business Providers	Finland	4,040	0.7
54	–	Sinch	Software & computer services	Technology	Sweden	4,034	0.7
55	33	Fjordkraft	Electricity	Industrial Goods	Norway	4,022	0.7
56	9	Tarkett	Construction & materials	Basic Materials	France	3,964	0.7
57	136	Westwing	General retailers	Consumer Goods	Germany	3,960	0.7
58	49	Ahlstrom-Munksjo	Forestry & paper	Basic Materials	Finland	3,920	0.7
59	115	Suess MicroTec	Electronic & electrical equipment	Technology	Germany	3,893	0.7
60	–	Sbanken	Banks	Financial	Norway	3,892	0.7
		60 Largest				**391,203**	**68.2%**
61	15	Almirall	Pharmaceuticals & biotechnology	Consumer Goods	Spain	3,879	0.7
62	20	BE Semiconductor	Technology hardware & equipment	Technology	Netherlands	3,871	0.7
63	69	Origin Enterprises	Food producers	Consumer Goods	Ireland	3,839	0.7
64	52	Bonava	Household goods & home construction	Consumer Goods	Sweden	3,837	0.7
65	–	Mithra Pharmaceuticals	Pharmaceuticals & biotechnology	Technology	Belgium	3,741	0.6
66	–	Aker Biomarine	Food producers	Consumer Goods	Norway	3,737	0.6
67	47	Mytilineos	Industrial metals & mining	Basic Materials	Greece	3,640	0.6
68	–	PharmaSGP	Pharmaceuticals & biotechnology	Technology	Germany	3,576	0.6
69	98	Stratec	Health care equipment & services	Consumer Goods	Germany	3,488	0.6
70	–	Grupo Catalana Occidente	Nonlife Insurance	Financial	Spain	3,447	0.6
		70 Largest				**428,258**	**74.6%**
71	77	Somfy	Electronic & electrical equipment	Industrial Goods	France	3,421	0.6
72	–	Mediawan	Nonequity investment instruments	Financial	France	3,411	0.6
73	126	Manz	Industrial engineering	Technology	Germany	3,396	0.6
74	–	NORMA	Industrial engineering	Industrial Goods	Germany	3,380	0.6
75	94	Cewe Shiftung	General retailers	Business Providers	Germany	3,358	0.6
76	25	AMG Advanced Metallurgical	Industrial engineering	Basic Materials	Netherlands	3,353	0.6
77	36	Dovalue	Banks	Financial	Netherlands	3,351	0.6
78	129	Basware	Software & computer services	Technology	Finland	3,266	0.6
79	114	Ned Apparaten	Electronic & electrical equipment	Technology	Netherlands	3,147	0.5
80	138	Grafton	Support services	Technology	Ireland	3,147	0.5
		80 Largest				**461,488**	**80.4%**
81	43	VGP	Real estate investment services	Financial	Belgium	3,097	0.5
82	73	Lindab	Construction & materials	Basic Materials	Sweden	3,057	0.5
83	144	Immobel	Real estate investment services	Financial	Belgium	3,026	0.5
84	100	Alma Media	Media	Business Providers	Finland	2,873	0.5
85	26	FLEX LNG	Industrial transportation	Natural Resources	Norway	2,870	0.5
86	133	Fagron	Health care equipment & services	Consumer Goods	Belgium	2,810	0.5
87	–	Wacker Chemie	Chemicals	Basic Materials	Germany	2,786	0.5
88	–	Arnoldo Mondadori Editore	Media	Consumer Goods	Italy	2,781	0.5
89	75	KSB	Industrial engineering	Industrial Goods	Germany	2,743	0.5
90	–	Troax	Industrial metals & mining	Basic Materials	Sweden	2,738	0.5
		90 Largest				**490,269**	**85.4%**
91	–	JOST Werke	Automobiles & parts	Consumer Goods	Germany	2,731	0.5
92	46	Metall Zug	Household goods & home construction	Consumer Goods	Switzerland	2,709	0.5
93	–	Better Collective	Travel & leisure	Consumer Goods	Sweden	2,697	0.5
94	99	Alzchem	Software & computer services	Technology	Germany	2,690	0.5
95	56	Indel	Electronic & electrical equipment	Industrial Goods	Italy	2,681	0.5
96	–	Groupe Gorge	Industrial engineering	Industrial Goods	France	2,676	0.5
97	–	Aixtron	Technology hardware & equipment	Technology	Germany	2,655	0.5
98	–	Renewi	Support services	Industrial Goods	Netherlands	2,639	0.5
99	142	Arbonia	Construction & materials	Industrial Goods	Switzerland	2,598	0.4
100	55	Edag Engineering	Support services	Industrial Goods	Germany	2,587	0.4
		100 Largest				**516,932**	**90.2%**

Investment portfolio at 30 June 2020 (unaudited) (continued)

Ranking 2020	Ranking 2019	Company	Principal activities	Industry Groups	Geographical area	Valuation 2020 £'000	Percentage of portfolio
101	104	Bucher Industries	Industrial engineering	Industrial Goods	Switzerland	2,572	0.4
102	63	Lisi	Aerospace & defence	Industrial Goods	France	2,502	0.4
103	112	Bekaert	General industrials	Industrial Goods	Belgium	2,481	0.4
104	141	Aumann	Industrial engineering	Industrial Goods	Germany	2,469	0.4
105	–	IMA	Industrial engineering	Industrial Goods	Italy	2,461	0.4
106	103	Thule	Leisure goods	Consumer Goods	Sweden	2,420	0.4
107	–	Stillfront	Leisure goods	Consumer Goods	Sweden	2,345	0.4
108	83	S&T	General retailers	Technology	Austria	2,285	0.4
109	–	Nordex	Alternative energy	Natural Resources	Germany	2,276	0.4
110	50	Barco	Electronic & electrical equipment	Technology	Belgium	2,249	0.4
		110 Largest				**540,992**	**94.2%**
111	109	Nexus	Software & computer services	Consumer Goods	Germany	2,234	0.4
112	132	Hexagon	General industrials	Industrial Goods	Norway	2,203	0.4
113	–	Adapted	Real estate investment services	Financial	Sweden	2,182	0.4
114	124	Stabilus	Industrial engineering	Industrial Goods	Germany	2,156	0.4
115	101	SMA Solar Technology	Alternative energy	Business Providers	Germany	2,048	0.4
116	–	Kahoot	Software & computer services	Technology	Norway	1,950	0.3
117	64	Schoeller-Bleckmann Oilfield	Oil equipment services & distribution	Business Providers	Austria	1,828	0.3
118	84	Promotora De Informaciones	Media	Consumer Goods	Spain	1,802	0.3
119	105	Dalata Hotel	Travel & leisure	Retail Providers	Ireland	1,794	0.3
120	121	Safilo	Personal goods	Consumer Goods	Italy	1,685	0.3
		120 Largest				**560,874**	**97.7%**
121	–	Interroll	Industrial engineering	Industrial Goods	Switzerland	1,631	0.3
122	85	Singulus Technologies	Industrial engineering	Technology	Germany	1,625	0.3
123	70	SMCP	Personal goods	Retail Providers	France	1,551	0.3
124	113	Klingelnberg	Industrial engineering	Industrial Goods	Switzerland	1,551	0.3
125	–	Pexip	Technology hardware & equipment	Technology	Norway	1,528	0.3
126	48	CFE	Construction & materials	Basic Materials	Belgium	1,324	0.2
127	108	Aurelius	Financial services	Financial	Germany	1,074	0.2
128	–	Boostheat	Alternative energy	Natural Resources	France	910	0.2
129	–	Concentric	Industrial engineering	Industrial Goods	Sweden	471	0.1
130	143	MPC	Financial services	Financial	Germany	470	0.1
		130 Largest				**573,009**	**100.0%**
131	146	21 Centrale Partners III[1]	Financial services	Financial	France	77	0.0
		Total investments				**573,086**	**100.0%**

1 Unquoted investment

Alternative performance measures (unaudited)

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

Discount or premium

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

	NAV pence	Share price pence	Discount to NAV %
At 30 June 2020	1,044.48	844.00	19.2
At 30 June 2019	1,039.79	892.00	14.2

Gearing/(Net Cash)

Gearing represents the excess amount above shareholders' funds of total investments, expressed as a percentage of the shareholders' funds. If the amount calculated is negative, this is a 'net cash' position and no gearing.

		2020	2019
Investments held at fair value through profit or loss (page 59) (£'000)	(A)	573,086	580,396
Net assets (page 70) (£'000)	(B)	523,374	521,023
Gearing (C = A / B -1) (%)	(C)	9.5%	11.4%

Net asset value ('NAV') per ordinary share

The value of the Company's assets (i.e. investments (see note 9) and cash held (see balance sheet) less any liabilities (i.e. bank overdraft (see balance sheet)) for which the Company is responsible divided by the number of shares in issue (see note 15). The aggregate NAV is also referred to as total equity in the Balance Sheet. The NAV per share is published daily and the year end NAV can be found on page 49 and further information is available on page 70 in note 19 within the notes to the financial statements.

Ongoing charges

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

	2020 £'000	2019 £'000
Management fee (note 3)	2,911	2,999
Other operating expenses (note 4)	716	653
Less: non-recurring expenses	–	–
Ongoing charges including performance fee	**3,627**	**3,652**
Average net assets[1]	**494,602**	**509,485**
Ongoing charges ratio	**0.73%**	**0.72%**

1 Calculated using the average daily net asset value

The ongoing costs provided in the Company's Key Investor Document ('KID') is calculated in line with the PRIIPs regulations. The ongoing costs in the KID includes finance costs and look through to costs incurred by other investment trusts and funds that the Company invests in.

Alternative performance measures (unaudited) (continued)

Total return

The return on the share price or NAV taking into account both the rise and fall of NAV/share prices and dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV total return). Dividends paid and payable are set out in note 8 on page 58.

	NAV per share	Share price
NAV/Share price per share at 30 June 2019 (pence)	1,039.79	892.00
NAV/Share price per share at 30 June 2020 (pence)	1,448.48	844.00
Change in the year (%)	0.5	(5.4)
Impact of dividends reinvested (%)	2.5	3.0
Total return for the year (%)	**3.0**	**(2.5)**

Dividend yield

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

		30 June 2020	30 June 2019
Annual dividend (pence)	(A)	22.00	22.00
Share price (pence)	(B)	844.00	892.00
Yield (C=A/B) (%)	(C)	0.6%	0.5%

Glossary

Alternative Investment Fund Managers Directive ('AIFMD')

Agreed by the European Parliament and the Council of the European Union and transposed into English Law, 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 Directors retains responsibility for strategy, operations and compliance and the directors retain a fiduciary duty to shareholders.

Alternative Performance Measures

A glossary of alternative performance measures can be found on pages 75 and 76.

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 Euromoney Smaller European Companies ex UK Index on a total return basis in Sterling terms.

Custodian

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

Depositary

As an AIF the Company is required to appoint a depositary which has responsibility for overseeing the operations of the Company including safekeeping, cash monitoring and verification of ownership and valuation of the underlying holdings and is responsible for the appointment of a custodian. The depositary is strictly liable for the loss of any investments or other assets in its custody unless it has notified that it has discharged its liability in certain markets. The depositary has confirmed that it has not discharged liability in relation to any of the Company's assets.

Derivative

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

Dividend dates

When declared or recommended, each dividend will have three key dates applied to it. The payment date is the date on which shareholders will receive their dividend, either by BACS transfer or by receipt of a dividend cheque. The record date applied to the dividend is used as a cut-off for the Company's 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 per ordinary share will be disclosed ex-dividend.

Investment trusts

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

Liquidity

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

Market capitalisation ('market cap')

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

General Shareholder Information

AIFMD Disclosures

In accordance with the Alternative Investment Fund Managers Directive, information in relation to the Company's leverage and remuneration of Henderson Investment Funds Limited, as the Company's Alternative Investment Fund Manager are required to be made available to investors. These disclosures, including those on the AIFM's remuneration policy, are contained in an AIFMD Disclosure document which can be found on the Company's website.

BACS

Dividends and interest can be paid to shareholders and stockholders 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 to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Common Reporting Standard

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

Equality Act 2010

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

You can contact the registrar, Equiniti, 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.

Foreign Account Tax Compliance ('FATCA')

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

General Data Protection Regulation ('GDPR')

GDPR came into force on 25 May 2019. It aims to protect and empower individual data privacy and reshape the way organisations approach data privacy. A privacy statement can be found on the website **www.janushenderson.com**.

ISA

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

Non-Mainstream Pooled Investments Status

The Company currently conducts its affairs so that its ordinary shares of 2.5p each can be recommended by IFAs to ordinary retail investors in accordance with the 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.

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

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

Share price information

The Company's NAV is published daily and the market price of the Company's shares can be found in the London Stock Exchange Daily Official List.

Shareholder Details

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

Service providers

Registered office

201 Bishopsgate
London EC2M 3AE

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

Corporate Broker

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

Corporate Secretary

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

Registrar

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

Telephone: 0371 384 2472
(or +44 121 415 7047 if calling from overseas).
Lines are open 8.30 am to 5.30 pm, Monday to Friday.

There is a range of shareholder information online.

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

Statutory Auditor

Ernst & Young LLP
25 Churchill Place
London E14 5EY

Financial calendar

Annual results announced	October 2020
Ex dividend date	22 October 2020
Dividend record date	23 October 2020
Annual General Meeting	23 November 2020
Dividend payment date	27 November 2020
Half year results announced	February 2021

Information sources

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

To receive regular insights on investment trusts from the Manager, visit:
https://www.janushenderson.com/en-gb/investor/subscriptions/

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Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive 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.

Warning to Shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. Please note that it is very unlikely that either the Company or the Company's registrar, Equiniti, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

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MANAGED BY
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