TR EUROPEAN GROWTH TRUST PLC

Annual Report 2014

MANAGED BY
Henderson
GLOBAL INVESTORS

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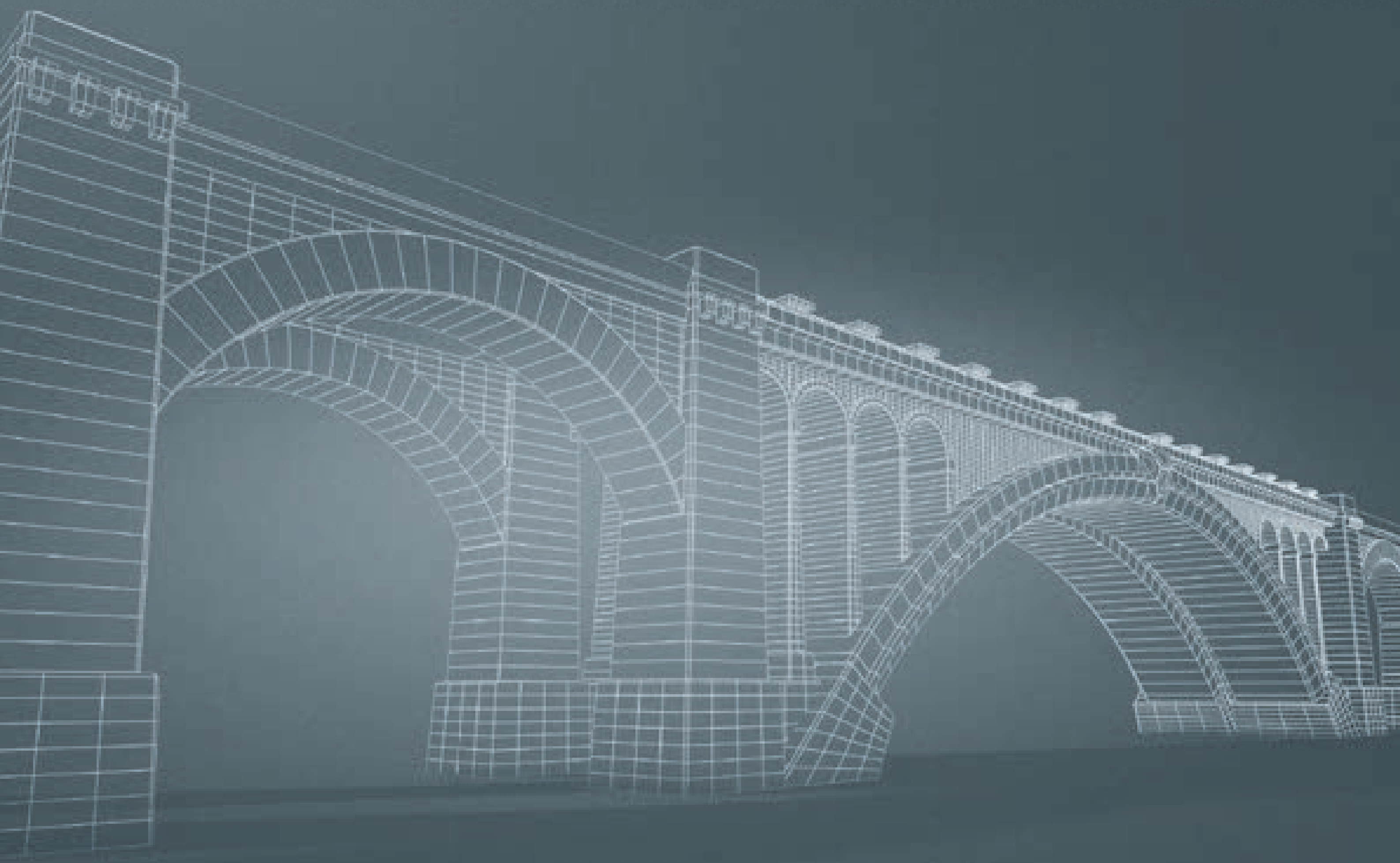
The image on the front cover is the Adolphe Bridge, Luxembourg.

Strategic Report

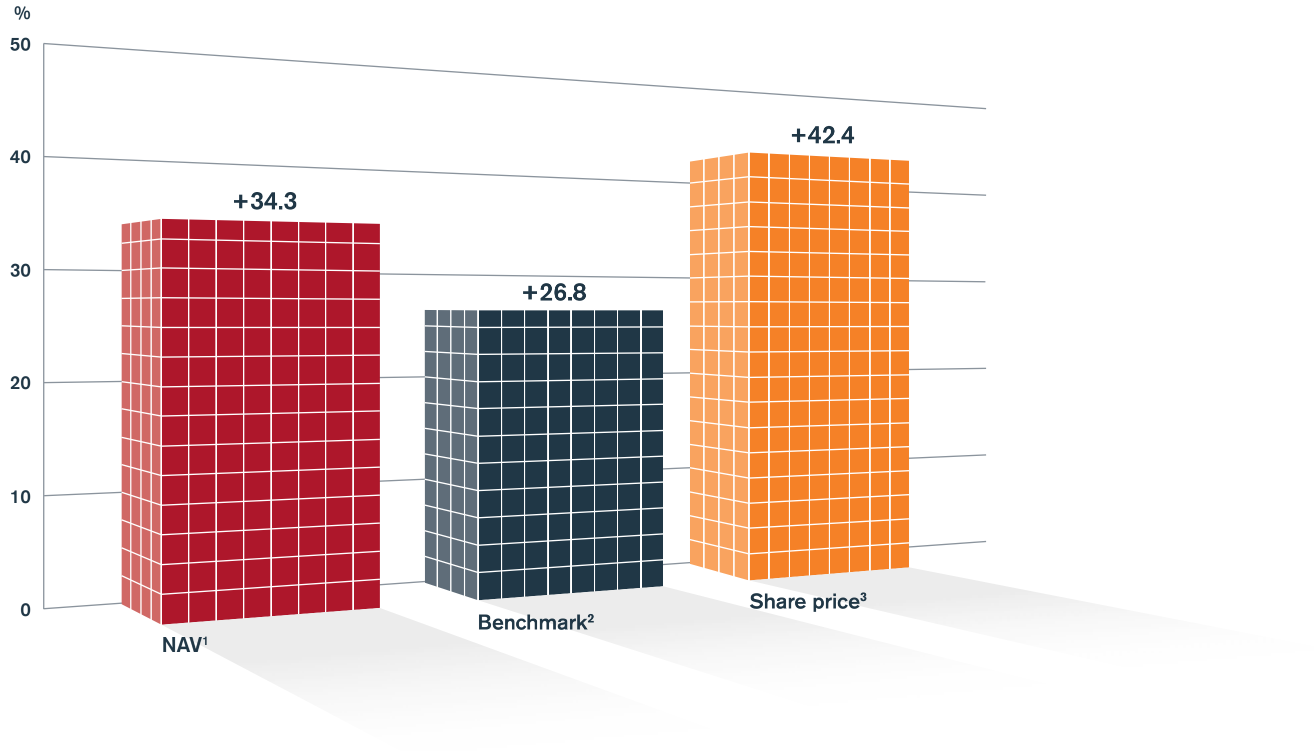
"The underlying economy in Europe is healing and there are a number of good stocks that offer attractive upside for the Company to invest in."

Audley Twiston-Davies, Chairman

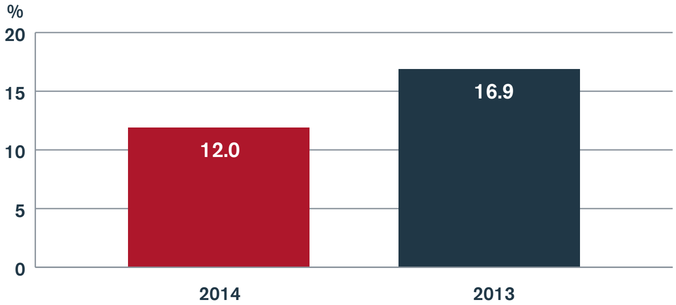


Strategic Report: Performance Highlights

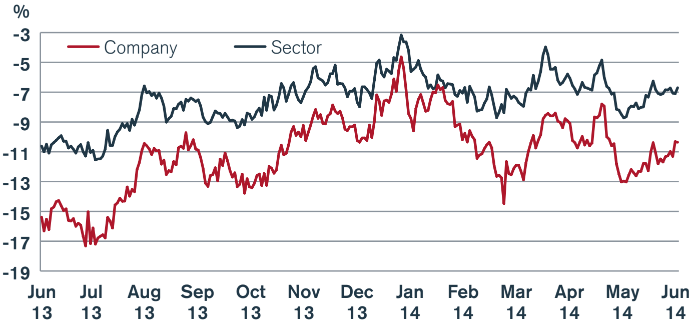
Total Return Performance for year to 30 June 2014



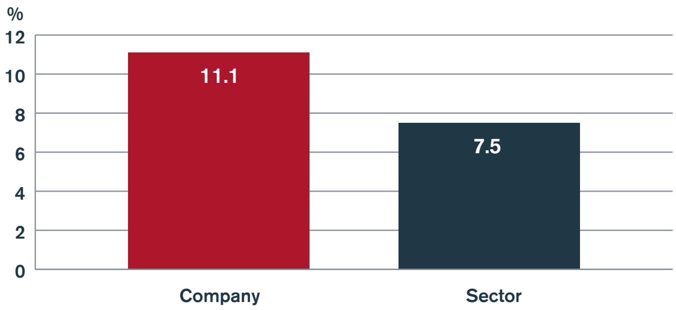
Discount at year end[4]



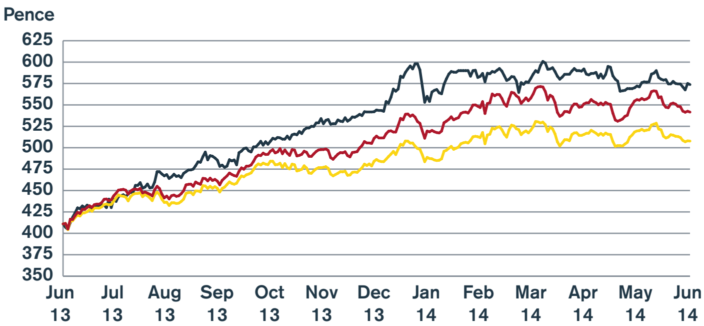
Discount[6]



Average discount for year[5]



NAV and share price performance versus the benchmark[7]



Source: Thomson Reuters Datastream

Net asset value total return
Share price total return
Benchmark

Strategic Report: Performance Highlights (continued)

NAV per share at year end

2014 **651.67p**

2013 492.49p

Share price at year end

2014 **573.75p**

2013 409.25p

Dividend for year

2014 **9.2p**[8]

2013 8.0p

Dividend yield[9]

2014 **1.6%**

2013 1.9%

Ongoing charge for year[10]

2014 **0.69%**

2013 0.74%

Gearing at year end

2014 **14.3%**

2013 12.0%

Number of investments

2014 **136**

2013 121

Performance fee paid

2014 **£1.1m**

2013 £0.4m

1 Net asset value total return (including dividends reinvested). This is based on preliminary estimates made by the AIC, which is the industry recognised source for performance data, and does not reflect any subsequent change in the year end NAVs reflected in this report
2 Euromoney Smaller Companies Index (ex UK) expressed in sterling
3 Share price total return
4 Calculated using published daily NAVs including current year revenue
5 Average discounts include revenue and are sourced from Morningstar for the AIC
6 Graph shows the Company's share price discount to NAV compared with the average discount of the AIC European Smaller Companies sector over the year to 30 June 2014
7 Graph shows the Company's net asset value total return and share price total return compared to the total return of the benchmark over the year to 30 June 2014
8 This represents ordinary and special dividends recommended or paid. See page 5 for more details
9 Based on the ordinary and special dividends and the share price at the year end
10 The ongoing charge excludes the performance fee. The charge including the performance fee would have been 1.07% (2013: 0.91%)
Sources: Morningstar for the AIC, Henderson, Datastream

Strategic Report: Business Model

Management

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

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

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

During the year under review the base management fee payable to Henderson was 0.5% per annum and was calculated as 0.125% of net assets at each quarter end. Since 1 July 2014 this has been increased to 0.6% per annum and is calculated as 0.15% of net assets at each quarter end.

Henderson may also be eligible to receive a performance related fee. In order to determine whether a performance fee is payable, performance is measured against, and expressed relative to, the benchmark, the Euromoney Smaller Companies Index (ex UK) expressed in sterling. Performance of both the Company and the benchmark is measured on a NAV total return (with gross income reinvested) basis and is measured over three years. In any given year in which a performance fee is payable, the performance fee 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% (reduced from 2.4% with effect from 1 July 2014) of the NAV of the Company as at the last day of the relevant calculation period. Since 1 July 2014 a performance hurdle over the benchmark of 1.0% has been introduced before any performance fee can be earned. For clarity, 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.

Subsidiary

The Company has a wholly owned subsidiary undertaking, TREG Finance Limited, which can be used for investment dealing but was not active in the year. Together they are referred to as the "Group".

Investment objective

The Company's investment objective is to achieve capital growth by investing predominantly in smaller and medium sized companies in Europe (excluding the UK).

Investment policy

The Company's portfolio is managed within a framework of investment limits and restrictions determined by the Board, the primary purpose of which is to spread and mitigate investment risk. It is intended that the Company will continue to be managed so as to satisfy each year the conditions for approval by HM Revenue & Customs ("HMRC") as an investment trust.

Diversification

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. Henderson provides regular reports on investment activity and portfolio construction to the Directors at and between Board meetings.

Asset allocation

Generally, the Company will invest in companies which are quoted, domiciled, listed or have operations in European countries. Unquoted investments are permitted with prior Board approval. Investments may include shares, securities and related financial instruments, including derivatives.

Gearing

The Company will borrow money for investment purposes if the Board considers it appropriate. Net borrowings are limited to a maximum of 30% of NAV at the time of investment.

General

In accordance with the listing rules of the FCA (the "Listing Rules"), it is the Company's stated policy that it will not invest more than 15% of its gross assets in other listed investment companies, including investment trusts, and 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.

Strategic Report: Chairman's Statement

The Chairman of the Company, Audley Twiston-Davies, reports on the year to 30 June 2014

Performance

I am pleased to be able to report that over the year to 30 June 2014 our net asset value per share total return was 34.3% and our share price total return was 42.4% compared to a total return for our benchmark of 26.8%.

As a consequence of this performance we will be paying a performance fee to Henderson for the year of £1,130,000 (2013: £362,000).

Revenue and dividends

Revenue return per share was 11.15p, a rise of 20.0%. This increase was mainly due to a higher level of investment income.

The Board aims to make progressive and steady increases in annual dividend payments. Shareholders must, however, recognise that such increases can never be guaranteed, and that circumstances may arise when it is necessary to reduce a dividend payment. Equally, there may be instances when the level of payment must be increased in order to comply with Section 1158 of the Corporation Tax Act in respect of the retention of distributable income. Where such instances would result in a payment going beyond the Board's aim, one-off "special dividend" payments are declared.

We are proposing, subject to shareholder approval at our annual general meeting, a final dividend per ordinary share of 6.50p, an increase of 8.3% over last year's final dividend of 6.00p. We are also proposing a special dividend of 2.70p per ordinary share, making a total dividend of 9.20p.

Annual general meeting ("AGM")

Shareholders are encouraged to attend the AGM on Monday 17 November 2014 at 201 Bishopsgate, London, EC2M 3AE. The meeting will start at 12.30 pm, will include a presentation by Ollie Beckett and will be followed by an opportunity for shareholders to meet the Board and management team. The notice of the meeting and full details of the resolutions to be proposed are included in a circular which will be posted to shareholders with the Annual Report. The Directors recommend that shareholders vote in favour of all of the proposed resolutions as they intend to do in respect of their own beneficial holdings.

Board changes

Robert Jeens stood down from the Board on 30 June 2014. The Board would like to thank him for his contribution to the Company over the 12 years of his tenure. Jane Tufnell has indicated her intention to retire at the conclusion of the Company's 2014 AGM. The Board would also like to thank Jane for her contribution over the two years of her tenure.

Simona Heidempergher was appointed to the Board with effect from 1 September 2014. Simona is an executive director of Merifin Capital, a private investment company with its main office in Brussels. She is also currently a member of the board of directors for Fondazione Bruno Kessler, Europa Investimenti SpA and Flayr Bazando SA. The Directors are delighted to welcome Simona to the Board.

Regulatory

In accordance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Company has appointed Henderson Investment Funds Limited to act as its Alternative Investment Fund Manager. HSBC Bank plc has been appointed as the Company's depositary. Considerable time was spent considering the implications for the Company of the AIFMD and the documentation that was required to be put into place to ensure compliance. Legal costs of just over £6,000 were incurred in this regard and the appointment of a depositary will add a little to the annual running costs of your Company.

The Board proposes to make certain amendments to the Company's articles of association in response to the AIFM regulations. In particular, the Board proposes an amendment that will permit the Board to authorise the depositary to discharge itself of a liability where the Company holds assets in a country other than the United Kingdom where the laws of that country do not satisfy certain delegatory requirements specified in the AIFM regulations. This proposed amendment will provide the Company with commercial flexibility in terms of its investments and the Board will exercise its discretion in the usual way in determining whether or not to provide such a discharge. Certain other minor amendments to the Company's articles of association are also proposed to reflect the implementation of the AIFMD and AIFM regulations. Full details are included in the separate letter to shareholders.

Outlook

The rally driven by the market's relief at the European Central Bank's "whatever it takes" reassurance has come to something of a standstill in recent months. Persistently low inflation and fears of deflation have combined with inaction with regards to structural reforms in countries such as France and Italy to undermine the stock market's confidence in the recovery.

Notwithstanding these real concerns, the underlying economy in Europe is healing and there are a number of good stocks that offer attractive upside for the Company to invest in. Europe is blessed with a large number of world beating smaller companies that are at the forefront of the changes occurring in the world with technology and globalisation.

We are confident such an environment will allow our Fund Manager to continue to unearth opportunities from which the Company will benefit.

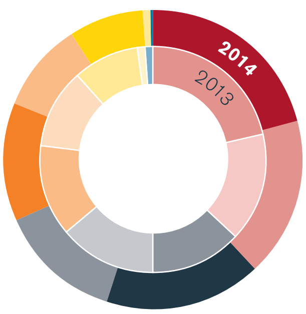
Strategic Report: Portfolio Information

Ten largest investments at 30 June 2014

Ranking 2014	Ranking 2013	Company	Principal activities	Geographical area	Valuation 2014 £'000	Percentage of portfolio
1	1	Brainlab	Radiotherapy and image-guided surgery equipment **www.brainlab.com**	Germany	8,535	2.3
2	3	Inficon	Instruments for gas analysis, measurement and control **www.inficon.com**	Switzerland	5,615	1.5
3	61	Comet	High-quality systems, components and services in x-ray, ebeam and RF technologies **www.comet-group.com**	Switzerland	5,316	1.4
4	–	CFE	Belgian industrial group **www.cfe.be**	Belgium	5,049	1.4
5	–	BE Semiconductor	Assembly processes and equipment for leadframe, substrate and wafer level packaging applications **www.besi.com**	Netherlands	4,609	1.3
6	-	Verkkokauppa	Online retailer **www.verkkokauppa.com**	Finland	4,574	1.2
7	4	ASM International	Semiconductor production equipment **www.asm.com**	Netherlands	4,527	1.2
8	–	Anima	Asset management services **www.animasgr.it**	Italy	4,485	1.2
9	2	21 Centrale Partners III	Private equity fund in France **www.21centralepartners.com**	France	4,471	1.2
10	–	DFDS	European shipping and logistics network **www.dfdsgroup.com**	Denmark	4,419	1.2
					51,600	**13.9**

Sector exposure at 30 June

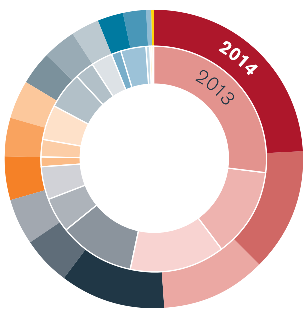
As a percentage of the investment portfolio excluding cash



	2014 %	2013 %
Industrial goods	**21.1**	21.4
Technology	**17.0**	15.6
Financials	**16.9**	13.2
Business providers	**13.6**	13.9
Basic materials	**12.7**	13.0
Consumer goods	**9.8**	11.5
Retail providers	**8.0**	9.2
Natural resources	**0.7**	1.2
Diversified	**0.2**	1.0

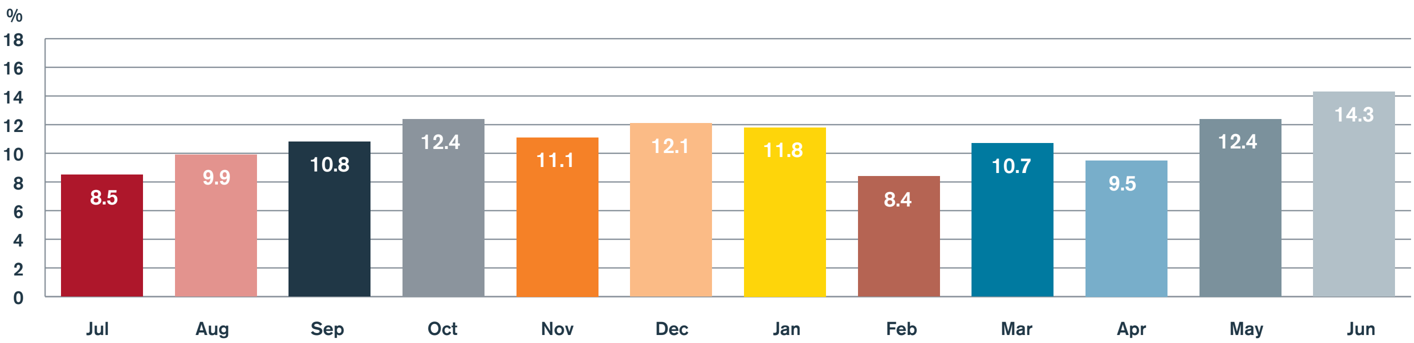
Geographic exposure at 30 June

As a percentage of the investment portfolio excluding cash



	2014 %	2013 %
Germany	**24.3**	27.0
France	**13.2**	12.9
Switzerland	**11.6**	13.6
Italy	**11.2**	10.8
Netherlands	**5.4**	5.1
Spain	**5.0**	4.5
Finland	**4.6**	1.6
Austria	**4.4**	2.5
Norway	**4.0**	4.9
Sweden	**3.7**	5.4
Denmark	**3.5**	2.6
Belgium	**3.1**	3.2
Greece	**2.8**	1.4
Ireland	**2.6**	3.5
Portugal	**0.4**	0.5
Other	**0.2**	0.3
Ukraine	**–**	0.2

Gearing levels over the year to 30 June 2014



Source: Henderson

Strategic Report: Fund Manager's Report

The Fund Manager of the portfolio, Ollie Beckett, reports on the year to 30 June 2014

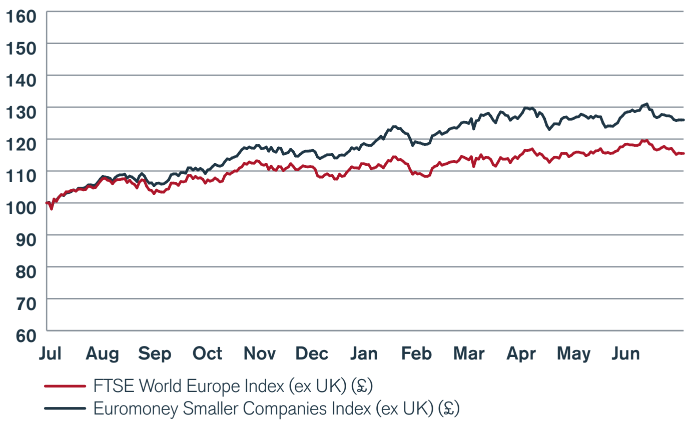
Rory Stokes assists Ollie Beckett with the management of the portfolio

Introduction

It has been another good year for equities and for the Company. As the market dared to dream of an economic recovery, European stocks and smaller companies in particular continued the rally that began in the summer of 2012, with Mario Draghi being prepared to take the necessary actions to hold the Euro together. There has been considerable progress in restructuring economies and regaining competitiveness, which should feed through to economic growth. The effect of improving optimism and structural improvement was felt most in the Spanish, Greek and Italian stock markets over the year and the Company benefited from a willingness to stay open-minded with regards to investing in companies in these countries.

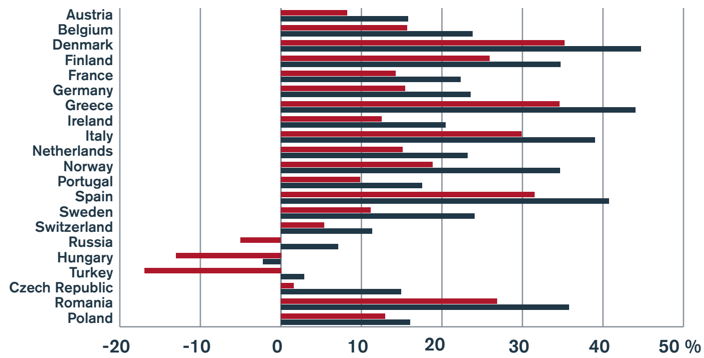
Conversely, the emerging Eastern European indexes, which the portfolio has continued to avoid, were the relative laggards. Swiss and German indexes also lagged, although we found many strong investments in these countries.

Movement in European indices (rebased to 100 at 30 June 2013)



We continue to believe that the recovery will come through, although it will take time to build momentum. Due to the strength of their economies, the UK and the US look likely to begin tightening monetary policy over the course of the next year which, combined with geopolitical risks, means higher stock market volatility is probable. We were not surprised that the European Central Bank ("ECB") announced an extensive package of measures to fend off the risk of deflation and expect further action. However, the relative attraction of European equities to investors compared to other asset classes, such as government debt, remains. The willingness of European companies to restructure means that as economic growth returns we are optimistic for a corporate earnings recovery and a subsequent increase in equity prices.

European stock exchange indices total return for the year ended 30 June 2014



Source: Datastream

The Portfolio

Portfolio positioning

In 2013 we deliberately tilted the portfolio towards out-of-favour European stocks that are more domestically exposed; an area that was trading on cheap valuations. This was a successful strategy and helped performance. However, as 2014 began we felt that this price discrepancy had unwound and that pricing for many domestic-focused European stocks had become somewhat consensual. As a result we shifted back towards a more balanced portfolio of value and growth, and domestic and international earnings. To that effect we added more companies with the capacity for self-help, as well as the best structural growth stories that we saw as undervalued by the market. There were a large number of initial public offerings ("IPOs") in the period, and we selectively participated in some.

Strategic Report: Fund Manager's Report (continued)

Stocks where the capacity for management action to help operational improvement is not properly perceived by the market continue to be a focus. Firms such as OC Oerlikon that have disposed of non-core divisions to concentrate on areas of strength, in this case man-made fibre spinning machines and metal coatings, remain in the portfolio. Similarly we continue to own kitchen manufacturer Nobia, which has cut costs and positioned the business for when an economic recovery comes.

To these, we added names such as Danish ferry company DFDS, French media company Solocal and Italian eyewear manufacturer Safilo. The management team at DFDS has been cutting unprofitable routes and emphasizing return on capital employed ("ROCE"). It should also be helped by the UK Competition Commission's decision to ban Eurotunnel from owning a Dover-Calais ferry service, which should help to bring an unprofitable route back into the black. Solocal is the former yellow pages business in France that now derives two-thirds of its revenue from internet activities. It has repaired its balance sheet and transformed the print sales team into an online sales team which sells space on its online directory. Solocal also offers website construction and online marketing to French small and medium enterprises ("SMEs"). Safilo make eyeglass frames for well-known brands such as Hugo Boss, Gucci and Dior, and under the new chief executive officer, plans to close the profitability gap with market leader Luxottica.

We successfully identified a number of structural growth stories that we saw as undervalued by the market. This included IPOs in Anima, an Italian fund manager, which should profit as Italian savers shift from zero-yielding bank accounts to higher-yielding investments in securities – a trend that should also benefit Italian online bank and trading platform Finecobank. The latter is not dissimilar to Hargreaves Lansdown, but with a banking license. We also initiated a position in Finnish online retailer Verkkokauppa, which offered high growth rates at an attractive valuation.

Performance attribution

The Company benefited from exposure to stocks with domestic European earnings and in particular Southern Europe. Companies such as Spanish bank Bankinter and real estate company Inmobiliaria Colonial were strong contributors to performance in Spain while, in Italy, machinery manufacturer IMA and asset manager Azimut also delivered strong returns. The strongest contributor was Spanish wi-fi and telecommunication services provider Let's Gowex, despite the fact that we had been systematically selling down due to significant concerns about the accounting; the company was subsequently uncovered as a fraud after we exited the position.

The portfolio also benefited from a high weighting in technology: Swiss electrical component manufacturer Comet lived up to its name; German high-tech equipment manufacturer Manz was strong; and German construction software company, RIB Software, also did well. Comet manufactures semiconductor equipment and has e-beam technology that threatens to transform the market for sterilization in food packaging. Manz make a variety of equipment, including the machines that make the sapphire glass used by Apple in its phones and tablets. RIB Software has a construction software package that radically improves the cost-effectiveness of building construction and subsequent maintenance.

We continue to focus on self-help stories where companies are able to improve their own destiny. Danish jewellery retailer Pandora was yet again a strong contributor. We originally added the stock to the portfolio in January 2012 after a period of significant share price falls. The business had unsuccessfully attempted to reposition its brand up the pricing scale. Under new management, Pandora has made a successful return to its core charm bracelet products. We sold the stock in April 2014 after the market capitalisation of the company became too large, with the initial purchase at DKK 72 and the final disposal at DKK 353.

Performance detractors have come from companies where management have failed to deliver. EVS Broadcast Equipment has had to invest more in research and development ("R&D"), while operational expenditure has been higher than expected, with the shift to the next technology cycle. High-end notebook producer, Moleskine, failed to meet top-line growth expectations following its IPO, and German retailer Tom Tailor found it harder to integrate the acquisition of Bonita than management had anticipated.

Geographical and sector distribution

We continue to invest on a bottom-up stock selection basis, rather than allocating capital on a country or sector basis, and thus are content to have country and sector weightings that vary widely from the benchmark. That said, we are always sensitive to how the portfolio as a whole is positioned and look at these weightings as a factor to bear in mind.

The portfolio remains heavily overweight Germany and Switzerland as we continue to find very well managed companies earning high returns on capital that trade at reasonable valuations in these markets. However, the extent of this overweight has narrowed over the course of the year as we saw value elsewhere. We steadily added to the portfolio's Italian exposure and now have a reasonable overweight in the country. These are split between those companies benefiting from structural growth factors (Yoox, Sorin, FinecoBank) and those that have taken the difficult measures required to improve as businesses (Banca Popolare Dell Emilia Romagna, Safilo).

We also increased our exposure to Spain over the course of the year, although we remain underweight in the country, with names such as Sacyr, a conglomerate with interests in construction, concessions and Spanish real estate. We invested in Liberbank as the stock is very cheap and over the course of the next few years should see improving returns as lower funding costs boost profitability. Additionally, we put money into insurer Grupo Catalana Occidente. The company boasts a highly profitable credit insurance business that should benefit from Spanish recovery and earnings growth as it restructures its recently acquired Plus Ultra insurance business.

From a sector perspective, we have continued to find interesting investment opportunities in Industrials, such as Valmet in Finland,

Strategic Report: Fund Manager's Report (continued)

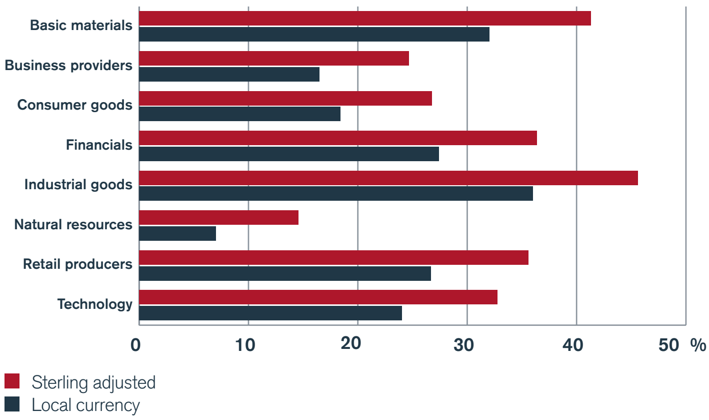
which supplies machinery for the pulp and paper industries. The firm has a client base that is at the start of a capital expenditure cycle. Other additions included: Stabilus, which produces gas springs and automatic tailgate systems for the automobile industry, and SFS Group, which supplies fasteners for a range of products, from iPhones to aeroplane wings.

In the financials sector, we increased the weighting through the addition of stocks such as: asset gatherer Anima and online bank Finecobank in Italy; Liberbank and insurer Grupo Catalana Occidente in Spain; Uniqa Insurance in Austria; and Jyske Bank in Denmark.

We decreased our weighting in information technology ("IT") with the sale of the Company's holding in semiconductor equipment manufacture Aixtron and IT services provider Bechtle. We also reduced our positions in Altran and Indra Sistemas. We retain a fairly significant exposure to the sector and have added new stocks such as semiconductor equipment company BE Semiconductor in the Netherlands and Sopra in France. Sopra is in the process of merging with its Paris-listed rival Steria, which should scale up their UK presence in IT consulting and outsourcing. There should be significant synergies between the two businesses which, when combined with organic growth, should help to materially increase the company's profits.

Elsewhere, the sale of medical care outsource services provider United Drug in Ireland and French retirement home company Medica reduced the portfolio's exposure to health care.

Total return by sector for the year ended 30 June 2014



Source: Datastream

Other purchases

Other substantial purchases in the year include Belgian conglomerate CFE which has been clarifying its holding structure and has a dredging business that looks significantly undervalued. We believe that, as the company's ongoing restructuring comes to a close the valuation discount with competitors such as Boskalis will close.

We took part in a number of carefully selected IPOs during the period. Some, such as Anima and Stabilus, have been good while others, such as Braas Monier, have performed poorly. This was as a result of a mishandled IPO process, rather than problems with the company, and we retain conviction in the stock. Braas Monier manufactures clay and concrete roof tiles, as well as associated products, for the European roofing industry and as such is well positioned to benefit from improving construction trends in Germany and the UK. With a largely fixed cost structure we expect recovery to have a big effect on company profitability going forward.

Other disposals

We exited a position in German telecommunication company United Internet following a period of strong performance. The company had grown to such a size that it no longer met our required parameters for market capitalisation. Elsewhere, we sold out of Swiss rubber component and sealing solution company Daetwyler after the valuation became too expensive. We also closed a position in French cable manufacturer Nexans due to concerns that the stock price reflected too much optimism as to the pace of recovery in the company.

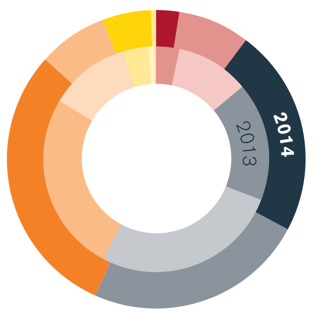
Gearing

Gearing levels varied between 8.4% and 14.3% over the course of the review period. It should be remembered that around 4% of the portfolio is made up of unquoted investments. We used the debt facility to maintain flexibility and freedom of action over the year as opportunities arose, rather than raising cash by selling assets quickly at bad prices. The gearing also offers the potential to enhance returns.

Market capitalisation range

We have continued to focus the portfolio towards small and medium sized companies, with a weighted average market capitalisation of £1.2 billion as at 30 June 2014. The largest company in the portfolio by market capitalisation is Partners Group, valued at £4.2 billion. The smallest is Batla Minerals with a market cap of £7.0 million.

Portfolio distribution by market capitalisation as at 30 June (% of listed assets)



	2014 %	2013 %
£0-£100m	**2.5**	3.5
£100-250m	**8.1**	10.6
£251-£500m	**22.7**	17.0
£500-£1000m	**24.1**	26.9
£1001-£2000m	**30.1**	25.7
£2001-£3000m	**6.9**	11.9
£3001-£4000m	**5.2**	3.3
£4001-£5000m	**0.4**	1.1

Unquoted investments

The Company continues to have three legacy unquoted investments. Brainlab is a global leader in software for high-precision radiotherapy and image-guided surgery. This is a good asset for which we will continue to seek a fair value. To achieve that aim we have kept up an extensive dialogue with management

Strategic Report: Fund Manager's Report (continued)

in the last year and encouraged interest in the company from certain investment banks. We are also invested in French private equity fund 21 Centrale Partners III. This is now in payback mode and will gradually decline in importance for the Company. The small holding in Doughty Hanson & Co. Fund III has been retained.

The unquoted holdings as at 30 June 2014 were:

	Value £'000	% of the portfolio
Brainlab	8,535	2.3
21 Centrale Partners III	4,471	1.2
Doughty Hanson & Co. Fund III	743	0.2
	13,749	**3.7**

These are good quality assets; however, going forward we will not be seeking unquoted opportunities.

Outlook

The onset of summer has seen global investors become more pessimistic about European equity markets, as the region's economic recovery has paused. This led to the Company giving back some of the gains seen over the past few years. Investors have also recently turned their attention once more to more exotic emerging markets. Our central scenario remains largely unchanged from a year ago; that we are in the mid-cycle of a long, drawn out and muted recovery in European economies.

European equity markets have stalled following a two-year sentiment rally, driven by receding fears of a Eurozone breakup. Corporate earnings growth has continued to disappoint, in line with European gross domestic product ("GDP") forecasts being lowered. It is not difficult to find reasons/excuses to run away from European equity markets in general, and more economically sensitive smaller companies in particular. The geopolitical backdrop is uncertain, with the Ukraine crisis impacting confidence in even Europe's economic powerhouse, Germany. We have seen no great impact from Prime Minister Matteo Renzi's reforms in Italy. The less said about France and its ever-increasing debt levels the better. Finally Mr Draghi, head of the ECB, has done a lot of talking, but where are the benefits? Deflation fears abound. Elsewhere, the US is moving towards higher interest rates.

Yet, despite these uncertainties, we believe there are a lot of grounds for optimism. Draghi's Targeted Longer-Term Refinancing Operations ("TLTRO") measures will enable European banks to borrow at 0.25%, if they expand their loan book. Positive credit growth could have a huge effect in the coming months. This was always going to have a lagged effect, as banks have to go through the ECB's Asset Quality Review. By October, the review will be finalised and lending will no longer be suppressed. In Italy, Mr Renzi has a popular mandate for reform and has announced a series of reforms to increase labour flexibility and reduce corporate taxation. Italy, alongside Greece, Ireland and Portugal, is among the top economic reformers of the Organisation for Economic Co-operation and Development ("OECD").

We must not forget that Europe has come a long way in the last couple of years. Even Mr Hollande, the least popular French President ever, seems to have woken up and is at least trying to stimulate the property market with new incentives (though we still hear nothing of much-needed economic reforms).

The US may be moving to credit tightening, which should surprise no-one and reflects an ever-improving US economy. Data out of China is getting better. Closer to home, the UK's economy has an upward trajectory. We believe that we are heading for a global synchronised economic recovery, which should provide a very supportive backdrop to the European smaller company space.

At a stock market level, after a long period where markets seem to have been running on vapour we finally believe we are approaching the point where earnings downgrades are coming to an end. This is necessary after a period of equity markets re-rating. Within European markets we continue to believe that the greatest value lies at the low end of the market capitalisation range, below £1 billion. Half the Company's investments are in that space.

We are also expecting to see a pick-up in M&A, which would be supportive. After little activity since 2007, corporates are once again seeking supplementary inorganic growth. This should benefit European smaller companies disproportionately, as they become targets for bolt-on acquisitions for larger firms.

Finally, we believe there a number of very exciting growth niches that the Company can get exposure to, such as electron beam sterilization (Comet), the move to online retail (Verkkokauppa.com and Yoox) and ophthalmic surgery (Carl Zeiss Meditec). There are also a number of holdings in the portfolio where we believe the market's perception is wrong and which are simply undervalued. We will continue our quest to find the best of these ideas.

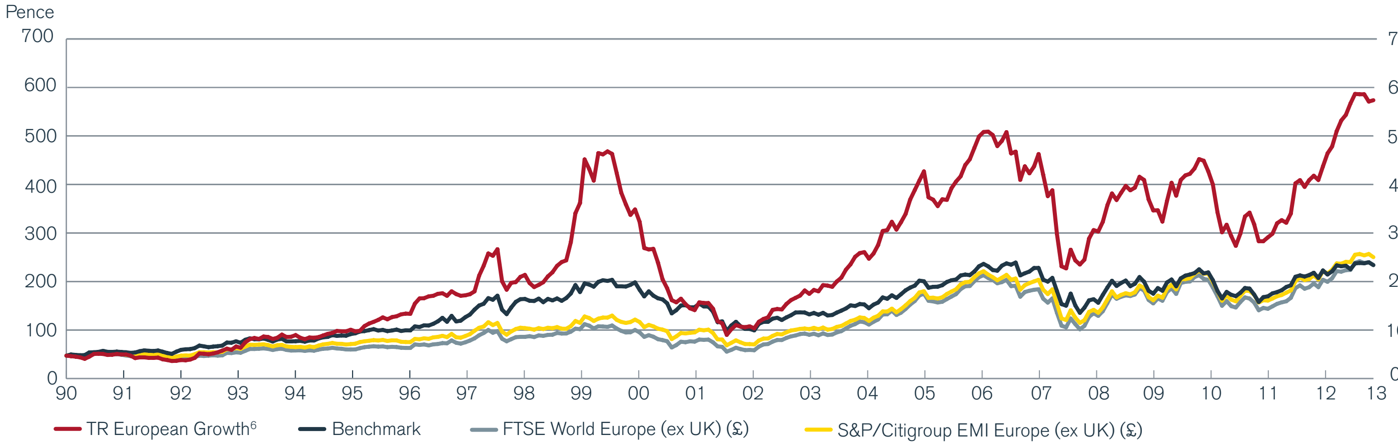
The last couple of months have been tough for the Company, but we don't believe now is the time to abandon ship. We think there are more exciting times ahead for the European smaller company space. We will do our utmost to deliver healthy returns for our shareholders and we should even get a slight economic tailwind. We do not think the European recovery is over and, while it may be subdued, the recovery has only just begun.

Strategic Report: Historical Performance and Financial Information

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

	1 year %	3 years %	5 years %	10 years %	Since launch[1] %
NAV[2]	34.3	29.6	109.2	222.3	1588.3
Share price[3]	42.4	40.8	103.6	240.5	1496.6
Benchmark index[4]	26.8	23.9	104.2	221.2	864.0
Average sector NAV[5]	22.1	27.6	117.9	256.4	1519.9
Average sector share price	28.3	39.7	127.5	308.4	1479.5

Share price movement against indices since launch (rebased to ordinary subscription price at launch)



Financial information

At Date	Net assets £'000	NAV 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 dividend p	Expenses[8] %
2005[7]	294,900	311.1	275.00	11.6	102,142	2.92	69.93	72.85	2.50	1.50	–
2006	365,400	417.0	368.75	11.6	98,010	3.10	104.82	107.92	2.60	–	–
2007	460,100	565.0	509.00	9.9	125,670	2.92	143.35	146.27	2.80	–	–
2008	331,900	458.6	420.00	8.4	(84,515)	5.39	(115.02)	(109.63)	3.00	2.00	–
2009	215,400	334.1	303.00	9.3	(91,145)	5.79	(138.04)	(132.25)	3.20	2.30	–
2010	199,500	386.4	346.50	10.3	36,455	4.31	57.95	62.26	3.40	0.85	0.73
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**

1 Calculated from the end of September 1990 (the Company commenced business on 6 September 1990)
2 Net asset value per ordinary share with income reinvested for 1, 3 and 5 years and capital NAV plus income reinvested for 10 years
3 Middle market closing price
4 Euromoney Smaller Companies Index (ex UK) total return and expressed in sterling
5 The sector is the AIC European Smaller Companies sector
6 Share price total return
7 Restated on first time adoption of International Financial Reporting Standards
8 Using total expense ratio methodology for 2011 and previous years; ongoing charge methodology thereafter. Data is not available for periods prior to 2010 as the calculation was not required before then

Sources: Henderson, Morningstar for the AIC, Datastream

Strategic Report: Key Information

Directors

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

Audley Twiston-Davies

Position: Chairman of the Board and of the Nominations and Management Engagement Committees
Date of appointment: 31 January 2000 (Chairman in May 2002)
Audley is currently chairman of BlackRock Frontiers Investment Trust plc. He was formerly chairman of Taylor Young Investment Management Limited and previously chief executive officer of Foreign & Colonial Emerging Markets Limited. He is Chairman of the Company's subsidiary.

Christopher Casey

Position: Chairman of the Audit Committee
Date of appointment: 1 March 2010
Christopher has over 30 years' strategic financial experience. He 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 a series of assignments for large and listed companies but latterly specialised in mergers and acquisitions advisory assistance, both pre and post deal. He retired from KPMG LLP in February 2010. He is also a non-executive director of China Polymetallic Mining Limited, BlackRock North American Income Investment Trust plc and Latchways PLC. He is also a director of the Company's subsidiary.

Simona Heidempergher

Position: Director
Date of appointment: 1 September 2014
Simona is an executive director of Merifin Capital, a private investment company with its main office in Brussels. She is also a member of the board of directors for Fondazione Bruno Kessler, Europa Investimenti SpA and Flayr Bazando SA.

Andrew Martin Smith

Position: Director
Date of appointment: 19 May 2008
Andrew currently works as an adviser and consultant with Guinness Asset Management Limited. He holds a number of directorships including Atlantis Japan Growth Fund Limited, M&G High Income Investment Trust P.L.C. and Church House Investments Limited. He is chairman of Parmenion Capital Management LLP.

Alexander Mettenheimer

Position: Director
Date of appointment: 1 July 2011
Alexander was 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 appointments include chief executive officer of both Merck Finck & Co Privatbankiers and Confia SA as well as various positions with Citibank. He holds other board positions in Germany.

Jane Tufnell

Position: Director
Date of appointment: 1 September 2012
Jane co-founded Ruffer Investment Management Ltd, a privately owned investment management firm, in 1994. She is a non-executive director of the Diverse Income Trust plc and JPMorgan Claverhouse Investment Trust plc. She joined County NatWest in 1987 where she ran the NatWest pension fund exposure to UK small companies.

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

Strategic Report: Key Information (continued)

Service providers

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

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

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London SE1 2RT

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

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

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

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

There is a range of shareholder information online.

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

Financial calendar

Annual results announced October 2014
Ex dividend date 16 October 2014
Dividend record date 17 October 2014
Annual general meeting[1] 17 November 2014
Final and special dividends payable on 24 November 2014
Half year results announced February 2015

Information sources

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

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

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

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

Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website. Individuals holdings shares through Halifax Share Dealing Limited can write to them at Lovell Park Road, Leeds LS1 1NS or contact them via telephone 0845 609 0408, email **Henderson@halifax.co.uk** or visit their website **www.halifax.co.uk/sharedealing**. Henderson ISA holders can contact the Henderson ISA department at PO Box 10665, Chelmsford CM99 2BF, telephone 0800 856 5656.

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

1 At the Company's registered office at 12.30 pm

Strategic Report: Corporate Information

Status

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

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

Principal risks and uncertainties

The Board has drawn up a matrix of risks facing the Company and has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, in order to mitigate these risks as far as practicable. The principal risks which have been identified, which have not changed from last year, and the steps taken by the Board to mitigate these, are as follows:

Investment activity and performance risks

An inappropriate investment strategy (for example, in terms of asset allocation or the level of gearing) may result in underperformance against the Company's benchmark index and the companies in its peer group. The Board monitors investment performance at each Board meeting and regularly reviews the extent of its borrowings.

Portfolio and market price risks

Although the Company invests almost entirely in securities that are listed on recognised markets, share prices may move rapidly. The companies in which investments are made may operate unsuccessfully, or fail entirely. A fall in the market value of the Company's portfolio would have an adverse effect on shareholders' funds. The Fund Manager seeks to maintain a diversified portfolio to mitigate against this risk. The Board regularly reviews the portfolio, activities and performance.

Tax and regulatory risks

A breach of Section 1158 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the Listing Rules could result in suspension of the Company's shares, while a breach of the Act could lead to criminal proceedings, or financial or reputational damage.

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

Operational risks

Disruption to, or failure of, Henderson's accounting, dealing or payment systems or the custodian's records could prevent the accurate reporting and monitoring of the Company's financial position. The Company is also exposed to the operational risk that one or more of its service providers may not provide the required level of service. The Board monitors the services provided by Henderson and its other suppliers and receives reports on the key elements in place to provide effective internal control.

Borrowing

The Company has a secured multicurrency overdraft arrangement with HSBC Bank plc that allows it to borrow up to the lesser of £50 million and 25% of custody assets as and when required. The level of gearing at 30 June 2014 is shown on page 3.

Future developments

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

Key performance indicators

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

Performance measured against the benchmark

The Board reviews and compares, at each meeting, the performance of both the NAV per share and share price for the Company and its benchmark. The Board considers the benchmark to be its most important key performance indicator and has determined that it should also be used to calculate whether a performance fee is payable to Henderson. Details of the performance fee arrangements are set out on page 4.

Discount to NAV

At each Board meeting, the Board monitors the level of the Company's discount to NAV per share (including income) and reviews the average discount/premium for the AIC European Smaller Companies sector. The Company publishes a NAV per share figure on a daily basis through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the AIC formula, which includes current year revenue items.

Performance against the Company's peer group

The Company is included in the AIC European Smaller Companies sector. In addition to comparison against the stated benchmark, the Board also considers at each meeting the performance of this AIC sector, as well as other European investment trusts and other European funds managed by Henderson.

Strategic Report: Corporate Information (continued)

The charts and tables on pages 2 and 3 show how the Company has performance against these KPIs.

Corporate responsibility

Responsible investment

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

The way companies respond to sustainability and corporate responsibility can affect their business performance, both directly and indirectly. An investee company's policy on social responsibility and the environment is therefore considered as part of the investment risk decision; however, an investment may not necessarily be ruled out on social and environmental grounds only.

Voting policy and the UK stewardship code

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

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

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

Employees, social, community, human rights and environmental matters

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

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

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

Gender representation

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

For and on behalf of the Board

Christopher Casey
Director
6 October 2014

Glossary

Alternative Investment Fund Managers Directive ("AIFMD")

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

Association of Investment Companies ("AIC")

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

Benchmark

An index against which performance is compared. For the Company this is the Euromoney Smaller Companies Index (ex UK) (in sterling terms, total return) (previously named the HSBC Smaller Europe (ex UK) Index).

Custodian

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

Depositary

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

Derivative

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

Dividend dates

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

Gearing

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

Investment trusts

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

Liquidity

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

Market capitalisation (market cap)

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

Glossary (continued)

Net asset value ("NAV") per ordinary share

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

Ongoing charge

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

Premium/discount

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

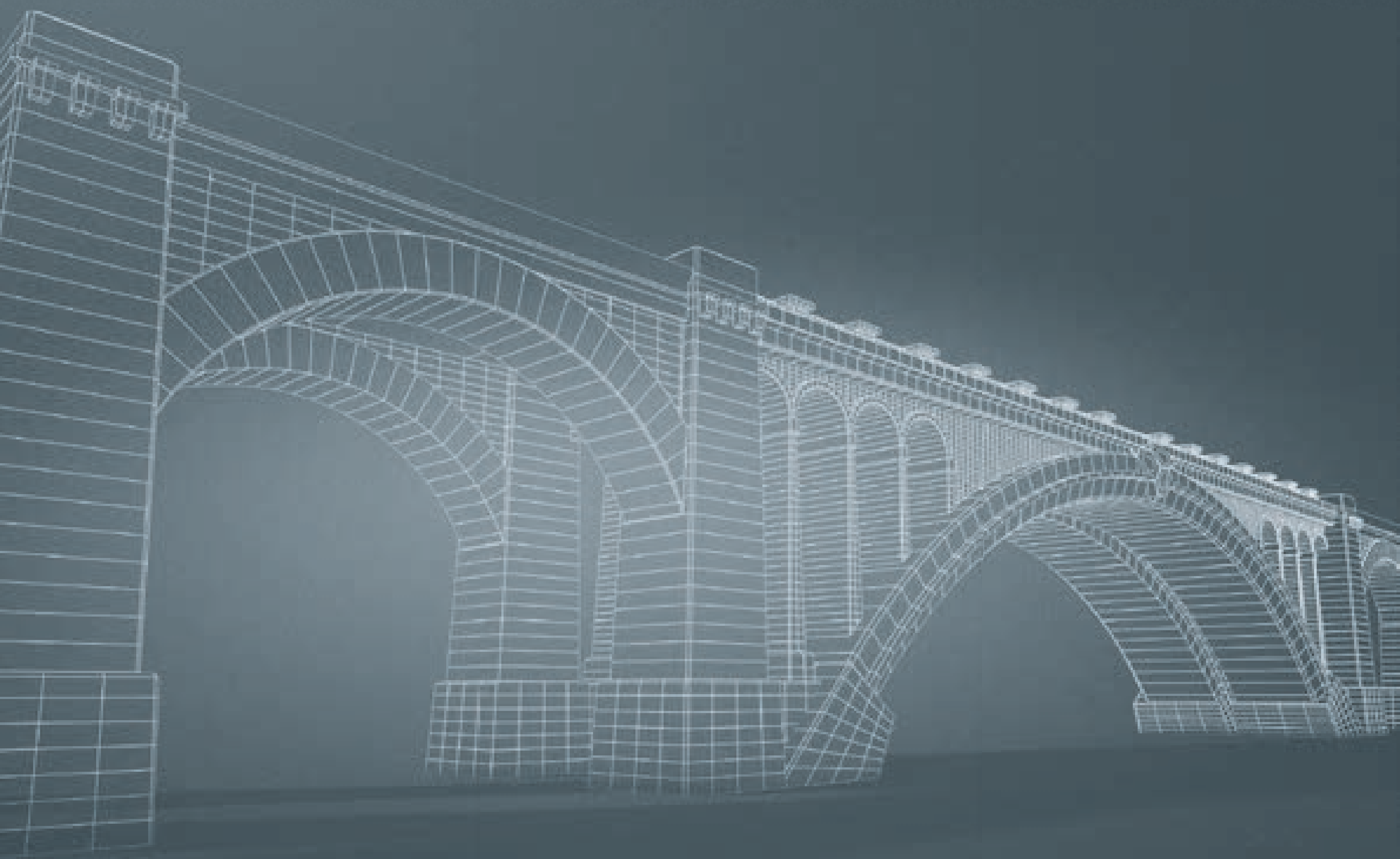
Total return performance

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

Yield

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

Corporate Report



Report of The Directors

The Directors present the audited financial statements of the Group and their report for the year from 1 July 2013 to 30 June 2014. The Group comprises TR European Growth Trust PLC (the "Company") and its wholly owned subsidiary undertaking, TREG Finance Limited (the "subsidiary"). The Company (registered in England & Wales on 10 July 1990 with company registration number 2520734) was active throughout the year under review and was not dormant.

Directors' remuneration and shareholdings

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

Directors' conflicts of interest

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

Related party transactions

Other than the relationship between the Company, its subsidiary and its Directors, the provision of services by Henderson is the only related party arrangement currently in place. Other than fees payable by the Company in the ordinary course of business and the provision of marketing services (see note 5 on page 42), there have been no material transactions with this related party affecting the financial position of the performance of the Company during the year under review.

Share capital

As at 30 June 2014 the Company's paid up share capital consisted of 49,975,897 ordinary shares of 12.5p each. 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.

The holders of the Company's ordinary shares are entitled to one vote for every two shares. Therefore, as at 30 June 2014 the voting rights were 24,987,948 votes. As at 3 October 2014 the total voting rights were unchanged.

Subject to annual shareholder approval, the Company may purchase its own ordinary shares at a discount to net asset value ("NAV") per share. At the annual general meeting ("AGM") in November 2013 shareholders gave the Board authority to buy back 7,491,386 ordinary shares during the following 15 months for cancellation. To date this authority has not been used.

Holdings in the Company's shares

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

	% of voting rights
Investec Wealth & Investment	6.0
Rathbone Brothers	5.0
1607 Capital Partners	4.6

No changes have been notified in the period 1 July 2014 to 3 October 2014.

At 30 June 2014, 15.7% of the issued ordinary shares are held on behalf of participants in Halifax Share Dealing products run by Halifax Share Dealing Limited ("HSDL"), which is part of Lloyds Banking Group, and 3.3% by participants in Henderson products.
In accordance with the arrangements made between HSDL and Henderson, the participants in these schemes are given the opportunity to instruct the relevant nominee company to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company. The nominees have undertaken to exercise the voting rights of any shares held through the schemes that have not been exercised by the individual participants. It will do so by voting for or against all resolutions to be put at all general meetings of the Company (or by withholding votes on such resolutions) pro rata to the aggregate voting instructions for each resolution received from those participants who have chosen to exercise their voting rights.

Duration of the Company and going concern

The Company's articles of association require that at every third AGM of the Company an ordinary resolution be put to shareholders asking them to approve the continuation of the Company; the next such resolution will be proposed at the AGM in 2016.

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

Report of The Directors (continued)

Annual general meeting

The AGM will be held on Monday 17 November 2014 at 12.30 pm at the Company's registered office. The notice and details of the resolutions to be put at the AGM are contained in the separate letter being sent to shareholders with this report.

Directors' statement as to disclosure of information to auditors

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

Global greenhouse gas emissions

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

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
6 October 2014

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") 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 IFRSs 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 a 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 IAS 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 performance, business model and strategy.

Statement under DTR 4.1.12

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

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union on a going concern basis, give a true and fair view of the assets, liabilities, financial position and profit of the Group; 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

Christopher Casey
Director
6 October 2014

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

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

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

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the "Regulations"). The report also meets the relevant requirements of the Companies Act 2006 (the "Act") and the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles relating to Directors' remuneration. As required by section 439 of the Act, an ordinary resolution to approve the report will be proposed at the annual general meeting on 17 November 2014. The Company's remuneration policy will be put to shareholders for approval by ordinary resolution for the first time this year under section 439A of the Act.

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

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

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

Remuneration policy

Directors are remunerated in the form of fees, payable quarterly in arrears. In accordance with the Company's articles of association the aggregate remuneration of the Directors may not exceed £200,000 per annum. Subject to this overall limit, the Board's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable candidates of high calibre to be recruited. All Directors, including any new appointments to the Board, are paid at the same rate, apart from the Chairman of the Board and the Chairman of the Audit Committee who are paid a higher fee in recognition of their additional responsibilities. The level of remuneration paid to each Director is reviewed annually, although such review will not necessarily result in any change to the rate; any feedback from shareholders would be taken into account when setting remuneration levels. Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties.

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

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

This policy has been in place since 1 July 2013 and will remain in place until the annual general meeting in 2017 unless it is amended by way of ordinary resolution put to shareholders at a general meeting. The Board may amend the level of remuneration paid to individual Directors within the parameters of the remuneration policy.

Annual statement

As Chairman, Audley Twiston-Davies reports that the fees paid to Directors have been increased with effect from 1 July 2014 as detailed on page 23. The increase was made in accordance with the Company's remuneration policy in order to ensure the fees paid to Directors are competitive following a long period of no increases. There have been no other major decisions on Directors' remuneration in the year under review.

Annual report on remuneration

Directors' interests in shares (audited)

	Ordinary shares of 12.5p	
	30 June 2014	1 July 2013
Audley Twiston-Davies	12,500	12,500
Christopher Casey	6,000	6,000
Robert Jeens	10,000	10,000
Andrew Martin Smith	10,000	10,000
Alexander Mettenheimer	–	–
Jane Tufnell	1,215	–

The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the preceding table. There have been no changes to any of the Directors' holdings in the period 1 July to 3 October 2014. Alexander Mettenheimer does not hold shares in the Company because of penal tax treatment of investment trust holdings by the German authorities. Simona Heidempergher, who was appointed to the Board subsequent to the year end, does not hold any shares.

Directors' Remuneration Report (continued)

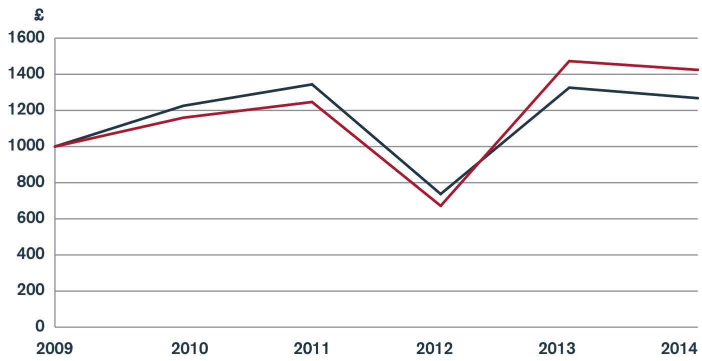
Performance

The graph compares the mid-market price of the Company's ordinary shares over the five year period ended 30 June 2014 with the return from the Euromoney Smaller Companies Index (ex UK) expressed in sterling ("Index") over the same period.

Source: Datastream. Rebased to 1000

Company's share price total return, assuming the investment of £1,000 on 30 June 2009 and the reinvestment of all dividends (excluding dealing expenses) (Source: Morningstar for the AIC)

Index total return, assuming the notional investment of £1,000 on 30 June 2009 and the reinvestment of all income (excluding dealing expenses) (Source: Datastream)



Directors' fees and expenses (audited)

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

	Year ended 30 June 2014 Total salary and fees £	Year ended 30 June 2013 Total salary and fees £	Year ended 30 June 2014 Taxable benefits £	Year ended 30 June 2013 Taxable benefits £	Year ended 30 June 2014 Total £	Year ended 30 June 2013 Total £
Audley Twiston-Davies[1]	28,000	28,000	–	–	28,000	28,000
Christopher Casey[2]	23,000	23,000	–	–	23,000	23,000
Robert Jeens[3]	21,000	21,000	–	–	21,000	21,000
Andrew Martin Smith	21,000	21,000	–	–	21,000	21,000
Alexander Mettenheimer	21,000	21,000	2,400	2,762	23,400	23,762
Jane Tufnell[4]	21,000	17,500	–	–	21,000	17,500
Total	**135,000**	**131,500**	**2,400**	**2,762**	**137,400**	**134,262**

Notes:
The table above omits other columns set out in the relevant regulations because no payments of other types such as performance related pay, vesting performance related pay and pension related benefits were made
1 Chairman and highest paid Director
2 Chairman of the Audit Committee
3 Retired on 30 June 2014
4 Appointed on 1 September 2012

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

Between 1 July 2008 and 30 June 2014 the fees paid to the Directors were: Chairman £28,000, Audit Committee Chairman £23,000 and Director £21,000. Since 1 July 2014 the fees were increased to: Chairman £31,000, Audit Committee Chairman £26,000 and Director £24,000.

Relative importance of spend on pay

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

	2014 £	2013 £	Change £
Total remuneration	137,400	134,262	3,138
Ordinary dividend paid	3,998,000	2,999,000	999,000

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

At the 2013 AGM 7,966,333 votes (98.2%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 117,428 (1.4%) were against, 30,511 (0.4%) were discretionary and 35,481 were withheld; the percentage of votes excludes votes withheld. This will be the first year shareholders will be asked to vote on the Company's remuneration policy.

For and on behalf of the Board

Christopher Casey
Director
6 October 2014

Corporate Governance Statement

Applicable corporate governance codes

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

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

Statement of compliance

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

The UK Code includes provisions relating to:

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

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

Directors

Directors' appointment and retirement

The Board may appoint Directors to the Board without shareholder approval. Any Director so appointed must stand for election by the shareholders at the next AGM in accordance with the articles of association. In accordance with this provision, Simona Heidempergher will stand for election at the 2014 AGM.

The AIC Code states that any director who has served for more than nine years is subject to annual re-election. Audley Twiston-Davies (who was appointed in 2000) is therefore required to seek re-election to the Board at the 2014 AGM.

All Directors retire at intervals of not more than three years; the Company's articles of association also provide that one-third (but not more than one-third) of "Relevant Directors" must seek re-election at each AGM. Relevant Directors exclude any Director who is required to seek re-election for any reason other than rotation in accordance with the articles of association. There are four Relevant Directors, one of whom must retire. Alexander Mettenheimer will retire by rotation at the 2014 AGM and has confirmed that he wishes to seek re-election to the Board.

Jane Tufnell has indicated her intention to stand down from the Board with effect from the close of the Company's AGM in 2014.

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

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

Directors' independence

All Directors have a wide range of other interests and are not dependent on the Company itself. At the Nominations Committee meeting in July 2014, the Directors reviewed their independence and confirmed that all Directors remain wholly independent of Henderson. Audley Twiston-Davies has served on the Board for more than nine years; in line with the AIC Code, the Board believes that length of service does not diminish the contribution from a Director as experience and knowledge of the Company is a positive factor and should not impact a Director's independence. It believes that longer serving Directors are less likely to take a short-term view, which belief is supported by the AIC Code. The Board has determined that all Directors are independent in character and judgement and that their individual skills, broad business experience and high degree of knowledge and understanding of the Company are of great benefit to shareholders.

A senior independent director has not been identified as the Board considers that all the Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.

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

Directors' professional development

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

Corporate Governance Statement (continued)

external training facilities and industry seminars at the expense of the Company and each Director's individual training requirements are considered as part of the annual performance appraisal.

Directors' insurance and indemnification

Directors' and officers' liability insurance cover is in place which indemnifies the Directors against certain liabilities arising from the carrying out of their duties. Under the Company's articles of association and, subject to the provisions of UK legislation, a qualifying third party provision indemnity may be provided to Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the Court. No indemnity was given during the year or up to the date of this report.

The Board

Board composition

The Board currently consists of six non-executive Directors and the biographies of those holding office at the date of this report are included on page 12. Those details demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors. All Directors served throughout the year, apart from Simona Heidempergher who was appointed on 1 September 2014, and all, apart from Alexander Mettenheimer who is resident in Germany and Simona Heidempergher who is resident in Italy, are resident in the UK. Robert Jeens retired from the Board on 30 June 2014.

Responsibilities of the Board and its Committees

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

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

At each meeting the Directors follow a formal agenda, which includes a review of the Company's net asset value ("NAV"), share price, discount, financial position, gearing levels, peer group performance, investment performance, asset allocation and transactions and any other relevant business matters to ensure that control is maintained over the affairs of the Company. The Board monitors compliance with the Company's objective and is responsible for setting asset allocation, investment and gearing limits within which Henderson has discretion to act and regularly reviews investment strategy. It has adopted a procedure for Directors to take independent professional advice in the furtherance of their duties at the expense of the Company.

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

Committees of the Board

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

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

Audit Committee

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

Nominations Committee

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

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

Given the small size of the Board, it is not considered appropriate for the Company to have set targets in relation to diversity; candidates will be assessed in relation to the relevant needs of the Company at the time of appointment. The Nominations Committee will recommend when the recruitment of additional non-executive Directors is required. Once a decision is made to recruit additional Directors to the Board, a formal job description is drawn up. The Company uses external agencies as and when the requirement to recruit an additional Board member becomes necessary and did so in relation to the appointment of Simona Heidempergher when Trust Associates, which have not provided any other services to the Company, were appointed.

Corporate Governance Statement (continued)

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

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

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

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

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

Board attendance

The table below sets out the number of Board and Committee meetings held during the year under review and the number of meetings attended by each Director. All Directors attended the AGM in November 2013.

	Board	AC	MEC	NC
Number of meetings	**5**	**3**	**1**	**1**
Audley Twiston-Davies	5	3	1	1
Christopher Casey	5	3	1	1
Robert Jeens[1]	5	3	1	1
Andrew Martin Smith	5	3	1	1
Alexander Mettenheimer	5	3	1	1
Jane Tufnell	5	3	1	1

AC: Audit Committee
MEC: Management Engagement Committee
NC: Nominations Committee
1 Robert Jeens retired from the Board on 30 June 2014; he was not a member of the Company's Committees but was invited to attend meetings when appropriate

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

Performance evaluation

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

Internal controls

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

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

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

Accountability and relationship with Henderson

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 21, the Independent Auditors' Report on pages 30 to 32 and the statement of going concern on page 19.

The Board has delegated contractually to external third parties, including Henderson, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets which is delegated through the appointment of the depositary as explained on page 16), the day-to-day accounting, company secretarial and administration requirements and registration services.

Corporate Governance Statement (continued)

Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

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

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

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

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

Continued appointment of Henderson

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

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

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

Share capital

Please see the Report of the Directors on page 19.

Relations with shareholders

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with its shareholders is through the half year results and Annual Report which aim to provide shareholders with a clear understanding of the Company's activities and their results. This information is supplemented by periodic interim management statements and the daily calculation and publication of the NAV per share to a regulatory information service and a monthly fact sheet which is available on the website.

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

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

By order of the Board

For and on behalf of
Henderson Secretarial Services Limited
Corporate Secretary
6 October 2014

Report of The Audit Committee

Meetings

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

Role and responsibilities

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

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

Audit for the year ended 30 June 2014

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

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

Report of The Audit Committee (continued)

Policy on non-audit services

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

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

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

During the year PricewaterhouseCoopers LLP ("PwC") were appointed to provide non-audit services in relation to the provision of tax advice to a Director. The personal tax team at PwC is separate to the audit team and no conflicts or independence issues are perceived by the Board. PwC were chosen to provide this service as they had previously undertaken similar work for the Company's offshore Directors.

Auditors' appointment

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

PwC have been the Company's auditors for over 20 years. The appointment of the auditors is not regularly put out to tender and as the Company is not in the FTSE 350 it is not required to do so on a regular basis. However, performance is regularly reviewed by the Audit Committee.

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

Fees paid or payable to the auditors are detailed in note 5 on page 42.

For and on behalf of the Board

Christopher Casey
Audit Committee Chairman
6 October 2014

Independent Auditors' Report to the members of TR European Growth Trust PLC

Report on the financial statements

Our opinion

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2014 and of the Group's profit and the Group's and the Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements and Parent Company financial statements (the "financial statements"), which are prepared by TR European Growth Trust PLC, comprise:

- the Consolidated and Parent Company Balance Sheets as at 30 June 2014;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Parent Company Cash Flow Statements for the year then ended;
- the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs 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.

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

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

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole to be £3.2 million. This represents approximately 1% of net assets. We based our materiality on 1% of net assets because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £162,000, if any, as well as any misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of the audit

The Group is an investment company with one consolidated subsidiary, managing a widely diversified portfolio. The Group is managed by an independent investment manager, Henderson Global Investors Limited (the "Manager").

The financial statements, which remain the responsibility of the Directors, are prepared on their behalf by the Manager. The Manager has, with the consent of the Directors, delegated the provision of certain administrative functions to BNP Paribas Securities Services (the "Administrator").

In establishing the overall approach to the Group audit, we determined the type of work that we needed to perform to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We audited the complete financial information of both entities in the Group.

Areas of particular audit focus

In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and

Independent Auditors' Report to the members of TR European Growth Trust PLC (continued)

considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 28.

Area of focus	How the scope of our audit addressed the area of focus
Valuation and existence of investments The investment portfolio comprised listed equity investments, a direct private equity investment and investments in private equity funds. We focused on the valuation and existence of investments because investments represent the principal element of the financial statements.	We tested the valuation of the investment portfolio as follows: ▪ For the listed equity investments, we agreed the valuation to independent third party sources; ▪ For the direct private equity investment, we understood and evaluated how the Manager had determined fair value, which was done using an earnings multiple approach with reference to a basket of comparable companies. Our work included testing the inputs to the valuation model by agreeing these to the investee entity's audited financial report and comparable company information. We also tested the calculations in the valuation model and discussed the valuation of this investment with the Manager and the Directors to challenge the appropriateness of the methodology and key inputs used, with reference to the International Private Equity and Venture Capital Valuation Guidelines; and ▪ For the private equity fund investments, we agreed the valuations to net asset value statements provided by the investee funds. In addition, we also checked the accuracy of previous valuations which were based on estimates to subsequent audited financial statements to assess the historical accuracy of the estimates applied in the valuation of these funds.
Valuation and existence of investments (continued)	We tested the existence of investments held within the investment portfolio to an independent custodian confirmation or to confirmations from the investee entities, as appropriate.
Calculation of the performance fee We focussed on this area because the performance fee is calculated using a complex methodology.	We independently recalculated the performance fee using the methodology set out in the Investment Management Agreement.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We tested journal entries to determine whether adjustments made to the financial statements were supported by appropriate evidence and appropriately authorised. We also built an element of "unpredictability" into our testing.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 19, in relation to going concern. We have nothing to report having performed our review.

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

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

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

Independent Auditors' Report to the members of TR European Growth Trust PLC (continued)

- the information given in the Corporate Governance Statement set out on pages 24 to 27 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the Parent Company. We have no exceptions to report arising from this responsibility.

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

On page 25 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Parent Company's performance, business model and strategy. On page 28 as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the explanation given by the Directors as to why the Annual Report does not include a statement that the Annual Report is fair balanced and understandable is materially inconsistent with our knowledge of the Group and Parent Company acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion, information in the Annual Report is:

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

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

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

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

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

Sally Cosgrove (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 October 2014

Consolidated Statement of Comprehensive Income

Notes		Year ended 30 June 2014 Revenue return £'000	Year ended 30 June 2014 Capital return £'000	Year ended 30 June 2014 Total return £'000	Year ended 30 June 2013 Revenue return £'000	Year ended 30 June 2013 Capital return £'000	Year ended 30 June 2013 Total return £'000
2	Investment income	7,013	–	7,013	5,795	–	5,795
3	Other income	55	–	55	27	–	27
10	Gains on investments held at fair value through profit or loss	–	80,746	80,746	–	61,046	61,046
	Total income	**7,068**	**80,746**	**87,814**	**5,822**	**61,046**	**66,868**
	Expenses						
4	Management fees	(310)	(2,370)	(2,680)	(223)	(1,256)	(1,479)
5	Other operating expenses	(559)	–	(559)	(503)	–	(503)
	Profit before finance costs and taxation	**6,199**	**78,376**	**84,575**	**5,096**	**59,790**	**64,886**
6	Finance costs	(98)	(392)	(490)	(70)	(281)	(351)
	Profit before taxation	**6,101**	**77,984**	**84,085**	**5,026**	**59,509**	**64,535**
7	Taxation	(527)	(10)	(537)	(381)	(39)	(420)
	Profit for the year and total comprehensive income	**5,574**	**77,974**	**83,548**	**4,645**	**59,470**	**64,115**
8	Return per ordinary share – basic and diluted	11.15p	156.02p	167.17p	9.29p	119.00p	128.29p

The total column of this statement represents the Consolidated Statement of Comprehensive Income, prepared in accordance with IFRSs, 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 net profit of the Parent Company for the year was £83,548,000 (2013: £64,115,000).

The notes on pages 37 to 56 form part of these financial statements.

Consolidated and Parent Company Statements of Changes in Equity

Notes		Consolidated Year ended 30 June 2014					
		Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 1 July 2013	6,247	115,451	13,931	91,205	19,290	246,124
	Total comprehensive income:						
	Profit for the year	–	–	–	77,974	5,574	83,548
	Transactions with owners, recorded directly to equity:						
9	Ordinary dividends paid	–	–	–	–	(3,998)	(3,998)
19	Refund of unclaimed dividends over 12 years old	–	–	–	–	2	2
	Total equity at 30 June 2014	**6,247**	**115,451**	**13,931**	**169,179**	**20,868**	**325,676**

Notes		Consolidated Year ended 30 June 2013					
		Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 1 July 2012	6,247	115,451	13,931	31,735	17,642	185,006
	Total comprehensive income:						
	Profit for the year	–	–	–	59,470	4,645	64,115
	Transactions with owners, recorded directly to equity:						
9	Ordinary dividends paid	–	–	–	–	(2,999)	(2,999)
19	Refund of unclaimed dividends over 12 years old	–	–	–	–	2	2
	Total equity at 30 June 2013	**6,247**	**115,451**	**13,931**	**91,205**	**19,290**	**246,124**

Notes		Company Year ended 30 June 2014					
		Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 1 July 2013	6,247	115,451	13,931	92,256	18,239	246,124
	Total comprehensive income:						
	Profit for the year	–	–	–	77,971	5,577	83,548
	Transactions with owners, recorded directly to equity:						
9	Ordinary dividends paid	–	–	–	–	(3,998)	(3,998)
19	Refund of unclaimed dividends over 12 years old	–	–	–	–	2	2
	Total equity at 30 June 2014	**6,247**	**115,451**	**13,931**	**170,227**	**19,820**	**325,676**

Notes		Company Year ended 30 June 2013					
		Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 1 July 2012	6,247	115,451	13,931	32,790	16,587	185,006
	Total comprehensive income:						
	Profit for the year	–	–	–	59,466	4,649	64,115
	Transactions with owners, recorded directly to equity:						
9	Ordinary dividends paid	–	–	–	–	(2,999)	(2,999)
19	Refund of unclaimed dividends over 12 years old	–	–	–	–	2	2
	Total equity at 30 June 2013	**6,247**	**115,451**	**13,931**	**92,256**	**18,239**	**246,124**

The notes on pages 37 to 56 form part of these financial statements.

Consolidated and Parent Company Balance Sheets

Notes		At 30 June 2014 Consolidated £'000	At 30 June 2013 Consolidated £'000	At 30 June 2014 Company £'000	At 30 June 2013 Company £'000
	Non current assets				
10	Investments held at fair value through profit or loss	372,212	275,574	373,191	276,556
	Current assets				
13	Receivables	1,420	3,784	1,420	3,784
	Cash and cash equivalents	3,568	3,403	3,565	3,400
		4,988	**7,187**	**4,985**	**7,184**
	Total assets	**377,200**	**282,761**	**378,176**	**283,740**
	Current liabilities				
14	Payables	(6,140)	(4,075)	(7,116)	(5,054)
	Bank overdrafts	(45,384)	(32,562)	(45,384)	(32,562)
		(51,524)	**(36,637)**	**(52,500)**	**(37,616)**
	Net assets	**325,676**	**246,124**	**325,676**	**246,124**
	Equity attributable to equity shareholders				
16	Called up share capital	6,247	6,247	6,247	6,247
17	Share premium account	115,451	115,451	115,451	115,451
18	Capital redemption reserve	13,931	13,931	13,931	13,931
	Retained earnings:				
18	Other capital reserves	169,179	91,205	170,227	92,256
19	Revenue reserve	20,868	19,290	19,820	18,239
20	**Total equity**	**325,676**	**246,124**	**325,676**	**246,124**
20	Net asset value per ordinary share – basic and diluted	651.67p	492.49p	651.67p	492.49p

The financial statements on pages 33 to 56 were approved by the Board on 6 October 2014 and signed on its behalf by:

Christopher Casey
Director

The notes on pages 37 to 56 form part of these financial statements.

Consolidated and Parent Company Cash Flow Statements

	Year ended 30 June 2014		Year ended 30 June 2013	
	Consolidated £'000	Company £'000	Consolidated £'000	Company £'000
Operating activities				
Profit before taxation	84,085	84,085	64,535	64,535
Add back: interest payable	490	490	351	351
Less: gains on investments held at fair value through profit or loss	(80,746)	(80,743)	(61,046)	(61,042)
Sales of investments held at fair value through profit or loss	193,005	193,005	95,673	95,673
Purchases of investments held at fair value through profit or loss	(211,414)	(211,414)	(106,042)	(106,042)
Loss on forward exchange contracts	–	–	(129)	(129)
Withholding tax on dividends deducted at source	(897)	(897)	(707)	(707)
Decrease/(increase) in prepayments and accrued income	295	295	(281)	(281)
Decrease/(increase) in amounts due from brokers	1,943	1,943	(1,393)	(1,393)
Increase in accruals and deferred income	942	939	451	447
Increase in amounts due to brokers	1,123	1,123	2,958	2,958
Net cash outflow from operating activities before interest and taxation	**(11,174)**	**(11,174)**	**(5,630)**	**(5,630)**
Interest paid	(490)	(490)	(351)	(351)
Taxation recovered	481	481	208	208
Net cash outflow from operating activities	**(11,183)**	**(11,183)**	**(5,773)**	**(5,773)**
Financing activities				
Equity dividends paid (net of refund of unclaimed dividends – see note 9)	(3,996)	(3,996)	(2,997)	(2,997)
Net cash used in financing	**(3,996)**	**(3,996)**	**(2,997)**	**(2,997)**
Decrease in cash and cash equivalents	(15,179)	(15,179)	(8,770)	(8,770)
Cash and cash equivalents at the start of year	(29,159)	(29,162)	(18,773)	(18,776)
Exchange movements	2,522	2,522	(1,616)	(1,616)
Cash and cash equivalents at the end of year	**(41,816)**	**(41,819)**	**(29,159)**	**(29,162)**
Comprising:				
Cash at bank	3,568	3,565	3,403	3,400
Bank overdrafts	(45,384)	(45,384)	(32,562)	(32,562)
	(41,816)	**(41,819)**	**(29,159)**	**(29,162)**

The notes on pages 37 to 56 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

Basis of preparation

The consolidated and Parent Company financial statements for the year ended 30 June 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and with those parts of the Companies Act 2006 (the "Act") applicable to companies reporting under IFRSs. IFRSs comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), together with interpretations of the IFRSs interpretations committee that remain in effect to the extent that IFRSs have been adopted by the European Union. The accounting policies have been consistently applied in the current and previous year.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas which assumptions and estimates are significant to the financial statements are disclosed in notes 10, 11 and 15.5.

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 January 2009 is consistent with the requirements of IFRSs, 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 2 to 17. Note 15 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) New and amended standards adopted by the Group

- IFRS 1 (amendment), First Time Adoption of International Financial Reporting Standards – amendments resulting from the 2010 annual improvement review.
- IFRS 7 (amendment), 'Financial Instruments – Disclosures' (effective for periods beginning on or after 1 January 2013) – amendments enhancing disclosures about offsetting financial assets and financial liabilities.
- IFRS 12, 'Disclosures of interests in other entities' (effective for annual periods beginning on or after 1 January 2013) – includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IFRS 13, 'Fair value measurement' (effective for annual periods beginning on or after 1 January 2013) – aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

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

- IFRS 9, 'Financial instruments' (effective for financial periods beginning on or after 1 January 2015) – addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015, subject to endorsement by the EU.
- IFRS 10, 'Consolidated financial statements' (effective for annual periods starting on or after 1 January 2014) – This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

- IAS 32, 'Financial instruments: Presentation' (effective for financial periods beginning on or after 1 January 2014) – updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

- IAS 39, 'Financial instruments: Recognition and measurement' (effective for annual periods beginning on or after 1 January 2014) – narrow scope amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

iii) New standards, amendments and interpretations issued but not effective for the current financial year and not relevant to the Group's operations:

- IFRS 1, (amendments), First Time Adoption of International Financial Reporting Standards
- IFRS 11, Joint Arrangements
- IAS 1, (amendment) Financial Statement Presentation
- IAS 12, (amendment) Income Taxes
- IAS 16, Property, Plant and Equipment
- IAS 19, (amendment) Employee Benefits
- IAS 27, Separate Financial Statements
- IAS 28, Associates and Joint Venture
- IAS 34, Interim Reporting
- IAS 36, Impairment of Assets

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and of its sole wholly owned subsidiary undertaking, TREG Finance Limited (the "subsidiary"). 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.

Investments held at fair value through profit or loss

All investments are designated upon initial recognition as held at fair value through profit or loss. 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. All such valuations are reviewed by both Henderson's fair value pricing committee and by the Directors at least twice each year. Where fair value cannot be reliably measured, the investment will be carried at the previous reporting date value unless there is evidence that the investment has since been impaired, in which case the value will be reduced.

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.

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 Section 1158 of the Corporation Tax Act 2010.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

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.

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

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 other capital reserves. All other operating expenses are charged to the revenue return column of the Consolidated Statement of Comprehensive Income.

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 Section 1158 of the Corporation Tax Act 2010 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.

Dividends payable to shareholders
Dividends payable to shareholders are recognised in the financial statements when they are paid or, in the case of final dividends, when they are approved by shareholders. Dividends are dealt with in the Consolidated and Parent Company Statement of Changes in Equity.

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.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

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".

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, deposits held at call with banks and bank overdrafts. In the Consolidated and Parent Company Balance Sheets, bank overdrafts are shown within borrowings in current liabilities.

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 charges, 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.

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 using the effective interest method.

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 using the effective interest method.

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.

Capital reserves

The following are accounted for in the "Capital reserve arising on investments sold":

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

The following are accounted for in the "Capital reserve arising on revaluation of investments held":

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Key estimates and assumptions

Estimates and assumptions used in preparing the financial statements are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these estimates and assumptions form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The only estimates and assumptions that may cause material adjustment to the carrying value of assets and liabilities relate to the valuation of unquoted investments. These are valued in accordance with the techniques set out in this note under the heading "Investments held at fair value through profit or loss". At the year end, unquoted investments represented 4.2% of net assets (2013: 5.4%). These comprise the entirety of the Group's Level 3 investments in Note 15.5.

Operating segments

Under IFRS 8, operating segments are considered to be the 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 wholly owned 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 6. 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

	2014 £'000	2013 £'000
Overseas dividend income from listed investments	7,013	5,795

All dividend income is derived from investments in Continental Europe.

3 Other income

	2014 £'000	2013 £'000
Bank interest	1	6
Underwriting commission (allocated to revenue)[1]	54	21
	55	**27**

1 The Company was not required to take up any shares in respect of its underwriting commitments in this or the previous year.

4 Management and performance fee

	2014			2013		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Management fees	310	1,240	1,550	223	894	1,117
Performance fee	–	1,130	1,130	–	362	362
Total	**310**	**2,370**	**2,680**	**223**	**1,256**	**1,479**

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

Notes to the Financial Statements (continued)

5 Other operating expenses

	2014 £'000	2013 £'000
Auditors' remuneration:		
▪ audit services relating to the Group and Parent Company	25	25
▪ audit services relating to the subsidiary undertaking	1	1
▪ non audit services[1]	2	2
Directors' fees and expenses[2]	137	134
Other expenses payable to the management company[3]	20	17
Custody fees	66	58
Printing	43	30
AIC fee	22	23
Irrecoverable VAT	37	33
Other expenses	206	180
	559	**503**

1 Non-audit services provided were in relation to tax services to a Director as explained on page 29
2 See Directors' Remuneration Report on page 23
3 Other expenses payable to the management company relate to marketing services

6 Finance costs

	2014			2013		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Bank overdraft interest	98	392	490	70	281	351

7 Taxation

a) Analysis of charge in year

	2014			2013		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Foreign withholding taxes	897	10	907	707	68	775
Overseas tax reclaimable	(326)	–	(326)	(263)	(29)	(292)
Prior year adjustment	(44)	–	(44)	(63)	–	(63)
Total current tax for the year (see note 7 b)	**527**	**10**	**537**	**381**	**39**	**420**

Notes to the Financial Statements (continued)

7 Taxation (continued)

b) Factors affecting tax charge for the year

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 22.50%.

The tax assessed for the year ended 30 June 2014 is lower than the effective rate of corporation tax of 22.50% (2013: 23.75%).

	2014			2013		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Net profit on ordinary activities before taxation	**6,101**	**77,984**	**84,085**	**5,026**	**59,509**	**64,535**
Corporation tax at 22.50% (2013: 23.75%)	1,373	17,546	18,919	1,194	14,133	15,327
Effects of:						
Gains on investments held not taxable	–	(18,167)	(18,167)	–	(14,498)	(14,498)
Capital expenses unutilised for tax purposes	–	621	621	–	365	365
Non-taxable dividends	(1,533)	–	(1,533)	(1,358)	–	(1,358)
Overseas tax	571	10	581	444	39	483
Losses available to be utilised	160	–	160	164	–	164
Prior year adjustment	(44)	–	(44)	(63)	–	(63)
Tax charge	**527**	**10**	**537**	**381**	**39**	**420**

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 obtain 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.

Factors that may affect future tax charges

The Group has not recognised deferred tax assets of £2,774,000 (2013: £2,390,000) 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.

8 Return per ordinary share

The return per ordinary share figure is based on the net profit for the year of £83,548,000 (2013: profit of £64,115,000) and on the weighted average number of ordinary shares in issue during the year of 49,975,897 (2013: 49,975,897).

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.

	2014 £'000	2013 £'000
Net revenue profit	5,574	4,645
Net capital profit	77,974	59,470
Net profit	**83,548**	**64,115**
Weighted average number of ordinary shares in issue during the year	49,975,897	49,975,897

	2014 Pence	2013 Pence
Revenue return per ordinary share	11.15	9.29
Capital return per ordinary share	156.02	119.00
Total return per ordinary share	**167.17**	**128.29**

Notes to the Financial Statements (continued)

9 Dividends

	2014 £'000	2013 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend of 6.00p and special dividend of 2.00p per ordinary share for the year ended 30 June 2013 (2013: final dividend of 4.50p and special dividend of 1.50p per ordinary share for the year ended 30 June 2012)	3,998	2,999
	3,998	**2,999**

The final dividend of 6.00p and the special dividend of 2.00p per ordinary share in respect of the year ended 30 June 2013 were paid on 18 November 2013 to shareholders on the register of members at the close of business on 18 October 2013. The total dividend paid amounted to £3,998,000.

Subject to approval at the AGM in November 2014, the proposed final dividend of 6.50p and a special dividend of 2.70p per ordinary share will be paid on 24 November 2014 to shareholders on the register of members at the close of business on 17 October 2014. The shares will be quoted ex-dividend on 16 October 2014.

The proposed final and special dividends for the year ended 30 June 2014 have not been included as a liability in these financial statements. Under IFRSs, these dividends are not recognised until approved by shareholders.

During the year the Company received a refund of £2,000 of unclaimed dividends over 12 years old.

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

	Consolidated		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Revenue available for distribution by way of dividends for the year	5,574	4,645	5,576	4,649
Proposed total dividend for the year ended 30 June 2014 – 9.20p (2013: 8.00p) (comprising a final dividend of 6.50p and a special dividend of 2.70p) (based on 49,975,897 shares in issue at 3 October 2014)	(4,598)	(3,998)	(4,598)	(3,998)
Revenue surplus	**976**	**647**	**978**	**651**

For Section 1158 purposes the Company's undistributed revenue represents 13.0% (2013: 11.2%) of total income.

10 Investments held at fair value through profit or loss

a) Consolidated

	2014 £'000	2013 £'000
Cost at 1 July	273,481	264,907
Investment holding gains/(losses) at 1 July	2,093	(62,364)
Valuation at 1 July	**275,574**	**202,543**
Movements in the year:		
Acquisitions at cost	211,414	106,042
Disposals at cost	(140,054)	(97,468)
Movements in investment holding gains	25,278	64,457
Valuation at 30 June	**372,212**	**275,574**
Cost at 30 June	344,841	273,481
Investment holding gains	27,371	2,093
Valuation at 30 June	**372,212**	**275,574**

Included in the total investments are unquoted investments shown at the Directors' fair valuation of £13,749,000 (2013: £14,886,000).

At 30 June 2014 no convertible or fixed interest securities were held in the portfolio (2013: none).

Notes to the Financial Statements (continued)

10 Investments held at fair value through profit or loss (continued)

b) Company

2014	Investments £'000	Subsidiary undertaking £'000	Total £'000
Cost at 1 July 2013	273,481	–	273,481
Investment holding gains at 1 July 2013	2,093	982	3,075
Valuation at 1 July 2013	**275,574**	**982**	**276,556**
Movements in the year:			
Acquisitions at cost	211,414	–	211,414
Disposals at cost	(140,054)	–	(140,054)
Movements in investment holding gains/(losses)	25,278	(3)	25,275
Valuation at 30 June 2014	**372,212**	**979**	**373,191**
Cost at 30 June 2014	344,841	–	344,841
Investment holding gains	27,371	979	28,350
Valuation at 30 June 2014	**372,212**	**979**	**373,191**

Included in the total investments are unquoted investments shown at the Directors' fair valuation of £14,728,000 (2013: £15,868,000).

Purchase and sale transaction costs for the Company during the year ended 30 June 2014 were £201,000 and £187,000 respectively (2013: transaction costs of purchases £179,000; transaction costs of sales £127,000). These comprise mainly stamp duty and commission.

2013	Investments £'000	Subsidiary undertaking £'000	Total £'000
Cost at 1 July 2012	264,907	–	264,907
Investment holding (losses)/gains at 1 July 2012	(62,364)	986	(61,378)
Valuation at 1 July 2012	**202,543**	**986**	**203,529**
Movements in the year:			
Acquisitions at cost	106,042	–	106,042
Disposals at cost	(97,468)	–	(97,468)
Movements in investment holding gains/(losses)	64,457	(4)	64,453
Valuation at 30 June 2013	**275,574**	**982**	**276,556**
Cost at 30 June 2013	273,481	–	273,481
Investment holding gains	2,093	982	3,075
Valuation at 30 June 2013	**275,574**	**982**	**276,556**

Included in the total investments are unquoted investments shown at the Directors' fair valuation of £15,868,000 (2012: £12,425,000).

Purchase and sale transaction costs for the Company during the year ended 30 June 2013 were £179,000 and £127,000 respectively (2012: transaction costs of purchases £214,000; transaction costs of sales £141,000). These comprise mainly stamp duty and commission.

c) Total capital gains from investments

	2014 £'000	2013 £'000
Realised gains/(losses) based on historical cost	52,951	(1,795)
(Less)/add revaluation (gains)/losses recognised in previous years	(17,041)	16,771
Gains on investments sold in the year on carrying value at the previous balance sheet date	**35,910**	**14,976**
Revaluation of investments held at 30 June	42,319	47,686
Exchange gains/(losses)	2,517	(1,616)
Total	**80,746**	**61,046**

Notes to the Financial Statements (continued)

11 Subsidiary undertaking and other investee company information

TREG Finance Limited

The Company has an investment in the entire issued ordinary share capital, fully paid, of £2 in its wholly owned subsidiary undertaking, TREG Finance Limited, which is registered in England and Wales and operates in the United Kingdom as an investment dealing company. The investment is stated in the Company's financial statements at the NAV, which is considered by the Directors to equate to fair value. The amount due to the subsidiary company at 30 June 2014 amounted to £979,000 (2013: £982,000). This payable has been eliminated on consolidation.

21 Centrale Partners III (unquoted investment)

21 Centrale Partners III is in the top ten largest investments as at 30 June 2014. It is valued at £4,471,000 (2013: £6,358,000), which is based on the Company's share of the investment's net asset value as at 30 June 2014. The Company owns 3.02% of its share capital, which was acquired at a cost of £5,238,000. The following information has been obtained from the most recently available audited accounts of the partnership for the year ended 31 December 2013:

Profit per share	€0.95
Dividend per share	–
Net assets attributable to the interest held by the Company	€6,123,000

Brainlab (unquoted investment)

Brainlab, a medical technology company, is in the top ten largest investments as at 30 June 2014. It is valued at £8,535,000 (2013: £7,620,000), which is based on a valuation methodology that uses earnings multiples of a basket of peers and applies a liquidity discount to the implied share price. The Company owns 6.9% of Brainlab's share capital, which was acquired at a cost of £10,565,000. The following information has been obtained from the most recently available audited accounts of Brainlab for the year ended 30 September 2013:

Profit per share	€0.65
Dividend per share	€0.22
Net assets attributable to the ordinary shares held by the Company	€5,069,000

Doughty Hanson & Co. Fund III (unquoted investment)

Doughty Hanson & Co. Fund III, a limited partnership, ranked in 134th position in the portfolio at 30 June 2014. It is valued at £743,000 (2013: £908,000), which is based on the Company's share of the investment's net asset value at 30 June 2014. The Company owns 0.28% of its share capital which was acquired at a cost of £1,306,000. The following information has been obtained from the most recently available audited accounts of the partnership for the year ended 31 December 2013:

Loss per share	($8,193)
Dividend per share	–
Net assets attributable to the interest held by the Company	$1,287,000

12 Substantial interests

The Group has interests of 3% or more of any class of capital in seven investee companies. At 30 June 2014 no one company represented more than 3% of the investments. 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
Brainlab	8,535	6.9
Verkkokauppa	4,574	3.2
21 Centrale Partners III	4,471	3.0
SAES Getters	2,131	5.7
Batla Minerals	730	9.7

STS and Safwood are Level 3 securities and are valued at zero in the portfolio at 30 June 2014.

Notes to the Financial Statements (continued)

13 Receivables

	Consolidated 2014 £'000	Consolidated 2013 £'000	Company 2014 £'000	Company 2013 £'000
Securities sold for future settlement	902	2,845	902	2,845
Withholding tax recoverable	328	449	328	449
Prepayments and accrued income	190	485	190	485
Unrealised gain on spot exchange contracts	–	5	–	5
	1,420	**3,784**	**1,420**	**3,784**

14 Payables

	Consolidated 2014 £'000	Consolidated 2013 £'000	Company 2014 £'000	Company 2013 £'000
Securities purchased for future settlement	4,374	3,251	4,374	3,251
Amounts due to subsidiary undertaking	–	–	979	982
Accruals and deferred income	1,766	824	1,763	821
	6,140	**4,075**	**7,116**	**5,054**

15 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 Henderson co-ordinate the Group's risk management.

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

15.1 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 15.1.1), currency risk (see note 15.1.2) and interest rate risk (see note 15.1.3). Henderson assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

15.1.1 Market price risk

Market price risks (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 Henderson. Investment performance is reviewed at each Board meeting. The Board monitors Henderson's compliance with the Group's objectives and is directly responsible for investment strategy and asset allocation, including as between countries and economies.

The Group's exposure to changes in market prices on equity investments was £372,212,000 (2013: £275,574,000).

Notes to the Financial Statements (continued)

15 Risk management policies and procedures (continued)

15.1.1 Market price risk (continued)

Concentration of exposure to market price risk

A geographical analysis of the Group's investment portfolio is shown on page 6. There is a concentration of exposure to France, Germany, Switzerland and Italy, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Market price risk sensitivity

Based on the Group's investments at each balance sheet date, an increase or decrease of 20% (2013: 20%) in market prices would increase or decrease revenue return after tax by £74,000 (2013: £55,000), capital return after tax by £74,145,000 (2013: £54,894,000) and total profit after tax and total equity by £74,070,000 (2013: £54,839,000). This level of change is considered to be reasonable based on current market conditions.

15.1.2 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

Henderson monitors the Group's exposure to foreign currencies on a daily basis and reports to the Board at each Board meeting. Henderson 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.

2014	Euro £'000	US$ £'000	Swiss franc £'000	Other £'000
Receivables (securities sold for future settlement, dividends and other income receivable)	1,241	–	120	42
Payables (securities purchased for future settlement, accruals and other payables)	(4,423)	–	–	–
Bank overdrafts	(45,384)	–	–	–
Total foreign currency exposure on net monetary items	**(48,566)**	**–**	**120**	**42**
Investments	283,183	743	43,196	41,865
Total net foreign currency exposure	**234,617**	**743**	**43,316**	**41,907**

2013	Euro £'000	US$ £'000	Swiss franc £'000	Other £'000
Receivables (securities sold for future settlement, dividends and other income receivable)	2,201	–	52	867
Payables (securities purchased for future settlement, accruals and other payables)	(1,519)	–	(140)	(1,620)
Bank overdrafts	(32,562)	–	–	–
Total foreign currency exposure on net monetary items	**(31,880)**	**–**	**(88)**	**(753)**
Investments	195,437	1,441	37,606	35,682
Total net foreign currency exposure	**163,557**	**1,441**	**37,518**	**34,929**

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

Notes to the Financial Statements (continued)

15 Risk management policies and procedures (continued)

15.1.2 Currency risk (continued)

Foreign currency sensitivity

The following 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, US dollar/sterling, Swiss franc/sterling and other/sterling.

It assumes the following changes in exchange rates:

Euro/sterling +/- 10% (2013: 10%). US dollar/sterling +/- 10% (2013: 10%).
Swiss franc/sterling +/- 10% (2013: 10%). Other/sterling +/- 10% (2013: 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:

	2014				2013			
	Euro £'000	US$ £'000	Swiss franc £'000	Other £'000	Euro £'000	US$ £'000	Swiss franc £'000	Other £'000
Profit after tax								
Revenue return	469	15	96	88	399	10	67	60
Capital return	26,314	83	4,780	4,633	18,023	159	4,161	3,949
Change to profit after tax for the year	**26,783**	**98**	**4,876**	**4,721**	**18,422**	**169**	**4,228**	**4,009**
Impact on net assets	**26,783**	**98**	**4,876**	**4,721**	**18,422**	**169**	**4,228**	**4,009**

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:

	2014				2013			
	Euro £'000	US$ £'000	Swiss franc £'000	Other £'000	Euro £'000	US$ £'000	Swiss franc £'000	Other £'000
Profit after tax								
Revenue return	(384)	(12)	(78)	(72)	(327)	(9)	(56)	(49)
Capital return	(21,530)	(68)	(3,911)	(3,790)	(14,746)	(130)	(3,405)	(2,581)
Change to profit after tax for the year	**(21,914)**	**(80)**	**(3,989)**	**(3,862)**	**(15,073)**	**(139)**	**(3,461)**	**(2,630)**
Impact on net assets	**(21,914)**	**(80)**	**(3,989)**	**(3,862)**	**(15,073)**	**(139)**	**(3,461)**	**(2,630)**

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

Notes to the Financial Statements (continued)

15 Risk management policies and procedures (continued)

15.1.3 Interest rate risk

Interest rate movements may affect the 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 over the applicable base rate (2013: 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 (2013: 100 basis points) in interest rates would have been as follows:

Consolidated Statement of Comprehensive Income

	Increase in rates 2014 £'000	Decrease in rates 2014 £'000	Increase in rates 2013 £'000	Decrease in rates 2013 £'000
Profit after tax				
Revenue return	(55)	55	(31)	31
Capital return	(363)	363	(261)	261
Change to net profit and net assets	**(418)**	**418**	**(292)**	**292**

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

In the opinion of the Directors, these sensitivity analyses are not representative of the year as a whole since exposure changes as investments are made and borrowings are drawn down or repaid throughout the year.

15.2 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 £50,000,000 and 25% of custody assets with HSBC Bank plc, the Company's depositary and custodian (2013: a £30,000,000 multi-currency borrowing facility with HSBC Bank plc).

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

Notes to the Financial Statements (continued)

15 Risk management policies and procedures (continued)

15.2 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:

	2014		2013	
	3 months or less £'000	Total £'000	3 months or less £'000	Total £'000
Current liabilities:				
Borrowings under the overdraft facility	45,384	45,384	32,562	32,562
Amounts due in relation to securities purchased for future settlement and accruals	6,140	6,140	4,075	4,075
	51,524	**51,524**	**36,637**	**36,637**

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.

15.3 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 Henderson, and limits are set on the amount that may be due from any one broker;
- cash is held only with reputable banks and 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 Henderson 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:

	2014 £'000	2013 £'000
Receivables:		
Securities sold for future settlement	902	2,845
Accrued income	173	465
Cash and cash equivalents	3,568	3,403
	4,643	**6,713**

Notes to the Financial Statements (continued)

15 Risk management policies and procedures (continued)

15.4 Fair values of financial assets and financial liabilities

Financial assets and financial liabilities are either carried in the balance sheet at their fair value (investments) or 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).

15.5 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 38.

Fair value hierarchy	Group 2014 £'000	Company 2014 £'000
Equity Investments		
Level 1	358,463	358,463
Level 2	–	–
Level 3	13,749	14,728
Total	**372,212**	**373,191**

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 2014 £'000	Company 2014 £'000
Opening balance	14,886	15,868
Acquisitions	–	–
Disposal proceeds[1]	(1,385)	(1,385)
Transfers into level	–	–
	13,501	**14,483**
Total gains included in the Consolidated Statement of Comprehensive Income		
On assets sold	(3,825)	(3,825)
On assets held at the year end	4,073	4,070
	248	**245**
Closing balance	**13,749**	**14,728**

Fair value hierarchy	Group 2013 £'000	Company 2013 £'000
Equity Investments		
Level 1	260,688	260,688
Level 2	–	–
Level 3	14,886	15,868
Total	**275,574**	**276,556**

Notes to the Financial Statements (continued)

15 Risk management policies and procedures (continued)

15.5 Fair value hierarchy disclosures (continued)

Level 3 investments at fair value through profit or loss	Group 2013 £'000	Company 2013 £'000
Opening balance	11,439	12,425
Acquisitions[1]	340	340
Disposal proceeds	(710)	(710)
Transfers into level[2]	3,429	3,429
	14,498	15,484
Total gains included in the Consolidated Statement of Comprehensive Income		
On assets sold	8,087	8,087
On assets held at the year end	(7,699)	(7,703)
	388	384
Closing balance	**14,886**	**15,868**

1 Relates to the net calls and distributions on the investment in 21 Centrale Partners III; 2014 distributions were greater than calls resulting in a disposal value (2013: call value was greater resulting in an aquisition value)
2 STS and Pescanova were written down to zero and transferred into Level 3 in 2013

The key inputs into the valuation of an unquoted investment within level 3 are comparable company multiples and a discount. If the multiples used in calculating the price used in the valuation of this unquoted investment would change by +/- 20%, the impact would be an increase or decrease in revenue after tax of £2,000, capital return after tax of £1,703,000 and total profit after tax of £1,701,000. If the discount rate that has been applied to the valuation of this unquoted investment within level 3 would change by +/- 20%, the impact would be an increase or decrease in revenue after tax of £5,000 (2013: £4,000), capital return after tax of £4,859,000 (2013: £4,334,000) and total profit after tax of £4,854,000 (2013: £4,330,000).

The total value of unquoted investments as at 30 June 2014 was £13,749,000 (2013: £14,886,000). A list of unquoted investments is shown on page 10.

15.6 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 3.7% of the total portfolio. These unquoted investments include limited liability partnerships (where the valuations are based on accounts produced by those companies) and unquoted holdings (which are held at Directors' valuations).

The Group's capital at 30 June 2014 comprised its equity share capital, reserves and debt that are shown in the Consolidated and Parent Company Balance Sheets at a total of £371,060,000 (2013: £278,686,000).

The Board, with the assistance of Henderson, 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;
- 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;
- 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)

16 Called up share capital (Group & Company)

	2014		2013	
	number of shares	£'000	number of shares	£'000
Allotted, issued and fully paid				
Ordinary shares of 12.5p	49,975,897	6,247	49,975,897	6,247

During the year no ordinary shares (2013: no ordinary shares) were bought back for cancellation.

17 Share premium account

	Group and Company £'000
At 1 July 2013 and at 30 June 2014	115,451

18 Capital redemption reserve and other capital reserves

a) Consolidated

2014	Capital redemption reserve £'000	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Total £'000
At 1 July 2013	13,931	2,093	89,112	91,205
Transfer on disposal of investments (see note 10 c)	–	(17,041)	17,041	–
Capital gains for the year	–	42,319	35,910	78,229
Expenses, finance costs and taxation charged to capital	–	–	(2,772)	(2,772)
Net gain on foreign exchange	–	–	2,517	2,517
At 30 June 2014	**13,931**	**27,371**	**141,808**	**169,179**

The capital reserve arising on revaluation of investments held at 30 June 2014 includes a loss of £22,779,000 in respect of the revaluation of unquoted investments (2013: loss of £26,852,000).

b) Company

2014	Capital redemption reserve £'000	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Total £'000
At 1 July 2013	13,931	3,075	89,181	92,256
Transfer on disposal of investments (see note 10 c)	–	(17,041)	17,041	–
Capital gains for the year	–	42,316	35,910	78,226
Expenses, finance costs and taxation charged to capital	–	–	(2,772)	(2,772)
Net gain on foreign exchange	–	–	2,517	2,517
At 30 June 2014	**13,931**	**28,350**	**141,877**	**170,227**

The capital reserve arising on revaluation of investments held at 30 June 2014 includes a loss of £21,800,000 in respect of the revaluation of unquoted investments (2013: loss of £25,870,000).

Notes to the Financial Statements (continued)

18 Capital redemption reserve and other capital reserves (continued)

a) Consolidated

2013	Capital redemption reserve £'000	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Total £'000
At 1 July 2012	13,931	(62,364)	94,099	31,735
Transfer on disposal of investments (see note 10 c)	–	16,771	(16,771)	–
Capital gains for the year	–	47,686	14,976	62,662
Expenses, finance costs and taxation charged to capital	–	–	(1,576)	(1,576)
Net loss on foreign exchange	–	–	(1,616)	(1,616)
At 30 June 2013	**13,931**	**2,093**	**89,112**	**91,205**

The capital reserve arising on revaluation of investments held at 30 June 2013 includes a loss of £26,852,000 in respect of the revaluation of unquoted investments (2012: loss of £19,153,000).

b) Company

2013	Capital redemption reserve £'000	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Total £'000
At 1 July 2012	13,931	(61,378)	94,168	32,790
Transfer on disposal of investments (see note 10 c)	–	16,771	(16,771)	–
Capital gains for the year	–	47,682	14,976	62,658
Expenses, finance costs and taxation charged to capital	–	–	(1,576)	(1,576)
Net loss on foreign exchange	–	–	(1,616)	(1,616)
At 30 June 2013	**13,931**	**3,075**	**89,181**	**92,256**

The capital reserve arising on revaluation of investments held at 30 June 2013 includes a loss of £25,870,000 in respect of the revaluation of unquoted investments (2012: loss of £18,167,000).

19 Retained earnings – revenue reserve

	Consolidated		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
At 1 July	19,290	17,642	18,239	16,587
Ordinary dividends paid	(3,998)	(2,999)	(3,998)	(2,999)
Revenue return for the year	5,574	4,645	5,577	4,649
Refund of unclaimed dividends over 12 years old	2	2	2	2
At 30 June	**20,868**	**19,290**	**19,820**	**18,239**

As permitted by Section 408 of the Act, the Company has not presented its own Statement of Comprehensive Income. The return after taxation of the Company amounted to £83,548,000 (2013: profit of £64,115,000).

Notes to the Financial Statements (continued)

20 Net asset value per ordinary share

The NAV per ordinary share is based on the net assets attributable to the ordinary shares of £325,676,000 (2013: £246,124,000) and on the 49,975,897 ordinary shares in issue at 30 June 2014 (2013: 49,975,897). The Company has no securities in issue that could dilute the NAV per ordinary share (2013: same).

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

	2014 £'000	2013 £'000
Net assets attributable to ordinary shares at 1 July	246,124	185,006
Profit for the year	83,548	64,115
Dividends paid in the year	(3,998)	(2,999)
Refund of unclaimed dividends over 12 years old	2	2
Net assets at 30 June	**325,676**	**246,124**

21 Capital commitments and contingent liabilities

Capital commitments

At 30 June 2014 there were capital commitments of £421,000 (2013: £1,018,000) in respect of the Company's holdings in limited partnerships.

Contingent liabilities

At 30 June 2014 there were no contingent liabilities in respect of sub underwriting participations (2013: £2,073,000).

22 Transactions with the management company

Under the terms of an agreement effective from 22 July 2014 (which replaced the agreement dated 24 February 1995 in order to reflect the appointment of an Alternative Investment Fund Manager in accordance with the requirements of the Alternative Investment Fund Managers Directive), the Company has appointed wholly owned subsidiaries of Henderson Group plc ("Henderson") to provide investment management, accounting, administration and secretarial services. Henderson has contracted with BNP Paribas Securities Services to provide accounting and administration services.

Details of the arrangements for these services are given on page 4 in the Strategic Report. The total of the fees paid or payable to Henderson under this agreement in respect of the year ended 30 June 2014 was £2,680,000 (2013: £1,479,000), of which £1,539,000 was outstanding at 30 June 2014 (2013: £670,000).

In addition to the above services, Henderson has provided the Company with marketing services. The total fees payable for these services for the year ended 30 June 2014 amounted to £20,000 (excluding VAT) (2013: £17,000), of which £5,000 (excluding VAT) was outstanding at 30 June 2014 (2013: £5,000).

General Shareholder Information

BACS

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

Disability Act

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

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

FCA restrictions

The Company currently conducts its affairs so that its ordinary shares of 12.5p each can be recommended by IFAs to ordinary retail investors in accordance with the Financial Conduct Authority's ("FCA") rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

ISA

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

Share price listings

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

Performance details/share price information

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

Shareholder details

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

Nominee share code

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

Warning to shareholders

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

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

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

Investment Portfolio as at 30 June 2014 (unaudited)

Ranking 2014	Ranking 2013	Company	Principal activities	Geographical area	Valuation 2014 £'000	Percentage of portfolio
1	1	Brainlab[1]	Technology hardware & equipment	Germany	8,535	2.3
2	3	Inficon	Industrial engineering	Switzerland	5,615	1.5
3	61	Comet	Electronic & electrical equipment	Switzerland	5,316	1.4
4	–	CFE	Construction & materials	Belgium	5,049	1.4
5	–	BE Semiconductor	Technology hardware & equipment	Netherlands	4,609	1.3
6	–	Verkkokauppa	Online retail	Finland	4,574	1.2
7	4	ASM International	Technology hardware & equipment	Netherlands	4,527	1.2
8	–	Anima	Financial services	Italy	4,485	1.2
9	2	21 Centrale Partners III[1]	Financial services	France	4,471	1.2
10	–	DFDS	Industrial transportation	Denmark	4,419	1.2
		10 largest			**51,600**	**13.9**
11	35	TKH	Electronic & electrical equipment	Netherlands	4,276	1.1
12	10	Faiveley Transport	Industrial engineering	France	4,095	1.1
13	–	Valmet	Industrial engineering	Finland	3,923	1.1
14	–	Braas Monier	Construction & materials	Germany	3,916	1.0
15	78	Axel Springer	Media	Germany	3,850	1.0
16	66	Nobia	Household goods & home construction	Sweden	3,783	1.0
17	56	SHW	Automobiles & parts	Germany	3,732	1.0
18	–	Safilo	Personal goods	Italy	3,727	1.0
19	11	Sorin	Health care equipment & services	Italy	3,704	1.0
20	105	Aurelius	Financial services	Germany	3,631	1.0
		20 largest			**90,237**	**24.2**
21	9	Stolt-Nielsen	Industrial transportation	Norway	3,607	1.0
22	–	Solocal	Media	France	3,589	1.0
23	–	Jumbo	Leisure goods	Greece	3,586	1.0
24	75	Carl Zeiss Meditec	Health care equipment & services	Germany	3,520	1.0
25	15	Nexity	Real estate investment services	France	3,517	0.9
26	81	Stroer Out-of-Home Media	Media	Germany	3,502	0.9
27	–	Salini Impregilo	Construction & materials	Italy	3,493	0.9
28	29	Schoeller-Bleckmann	Oil equipment services & distribution	Austria	3,379	0.9
29	–	OW Bunker	Industrial transportation	Denmark	3,378	0.9
30	–	Jyske Bank	Banks	Denmark	3,319	0.9
		30 largest			**125,127**	**33.6**
31	41	DCC	Support services	Ireland	3,225	0.9
32	48	Teleperformance	Support services	France	3,223	0.9
33	–	Eiffage	Construction & materials	France	3,208	0.9
34	50	C & C Group	Beverages	Ireland	3,183	0.9
35	–	Uniqa Insurance	Nonlife insurance	Austria	3,159	0.9
36	12	Grenkeleasing	Support services	Germany	3,151	0.9
37	23	Delta Lloyd	Life insurance	Netherlands	3,144	0.8
38	5	EFG International	Banks	Switzerland	3,143	0.8
39	31	Storebrand	Nonlife insurance	Norway	3,141	0.8
40	45	Cargotec	Industrial engineering	Finland	3,121	0.8
		40 largest			**156,825**	**42.2**
41	18	Aareal Bank	Financial services	Germany	3,098	0.8
42	–	Grupo Catalana Occidente	Nonlife insurance	Spain	3,087	0.8
43	25	OC Oerlikon	Industrial engineering	Switzerland	3,077	0.8
44	–	Sopra	Software & computer services	France	3,058	0.8
45	26	Clariant	Chemicals	Switzerland	3,054	0.8
46	92	Pfeiffer Vacuum Technology	Industrial engineering	Germany	3,035	0.8
47	74	Outotec	Industrial engineering	Finland	2,982	0.8
48	–	Television francaise (T.F.I)	Media	France	2,972	0.8
49	28	Lindab	Construction & materials	Sweden	2,962	0.8
50	–	Inmobiliaria Colonial	Real estate investment services	Spain	2,942	0.8
		50 largest			**187,092**	**50.2**

1 Unquoted investment

Investment Portfolio as at 30 June 2014 (unaudited) (continued)

Ranking 2014	Ranking 2013	Company	Principal activities	Geographical area	Valuation 2014 £'000	Percentage of portfolio
51	13	Wirecard	Support services	Germany	2,922	0.8
52	47	Imerys	Construction materials	France	2,915	0.8
53	–	Surteco	Household goods & home construction	Germany	2,913	0.8
54	37	Stratec Biomedical	Health care equipment & services	Germany	2,905	0.8
55	20	GFK	Media	Germany	2,892	0.8
56	–	Dalata hotel	Travel & leisure	Ireland	2,888	0.8
57	54	De'Longhi	Household goods & home construction	Italy	2,850	0.8
58	–	Jungheinrich	Machinery	Germany	2,845	0.8
59	–	Sacyr	Construction	Spain	2,845	0.8
60	–	Sanoma	Media	Finland	2,778	0.7
		60 largest			**215,845**	**58.1**
61	64	LPKF Laser & Electronics	Electronic & electrical equipment	Germany	2,775	0.7
62	82	Manz	Industrial engineering	Germany	2,760	0.7
63	14	EVS Broadcast Equipment	Electronic & electrical equipment	Belgium	2,759	0.7
64	49	Bauer	Construction & materials	Germany	2,750	0.7
65	–	Mersen	Electronic & electrical equipment	France	2,742	0.7
66	6	SAF-Holland	Automobiles & parts	Germany	2,673	0.7
67	17	Unibet	Travel & leisure	Sweden	2,672	0.7
68	95	Lenzing	Chemicals	Austria	2,670	0.7
69	–	GAM	Financial services	Switzerland	2,667	0.7
70	72	Gurit	Chemicals	Switzerland	2,665	0.7
		70 largest			**242,978**	**65.1**
71	38	Melia Hotels International	Travel & leisure	Spain	2,639	0.7
72	73	Komax	Industrial engineering	Switzerland	2,638	0.7
73	80	Titan Cement	Construction & materials	Greece	2,599	0.7
74	76	Credito Emiliano	Banks	Italy	2,575	0.7
75	30	Tom Tailor	General retailers	Germany	2,562	0.7
76	–	Liberbank	Banks	Spain	2,558	0.7
77	40	Trevi Finanziaria Industrial	Construction & materials	Italy	2,553	0.7
78	–	CA Immobilien Anlagen	Real estate investment services	Austria	2,548	0.7
79	–	Cerved Information Solutions	Support services	Italy	2,541	0.7
80	8	Norma	Automobiles & parts	Germany	2,530	0.7
		80 largest			**268,721**	**72.1**
81	77	Danieli & C Risp	Industrial engineering	Italy	2,491	0.7
82	42	Forbo	Household durables	Switzerland	2,482	0.7
83	27	Kuoni	Travel & leisure	Switzerland	2,460	0.7
84	32	SAAB	Aerospace & defence	Sweden	2,436	0.7
85	–	AMS	Technology hardware & equipment	Switzerland	2,430	0.7
86	22	Krones	Industrial engineering	Germany	2,395	0.6
87	–	Porr	Construction & materials	Austria	2,381	0.6
88	103	Zumtobel	Construction & materials	Austria	2,349	0.6
89	70	Borregaard	Chemicals	Norway	2,347	0.6
90	–	Stabilus	Industrial engineering	Germany	2,338	0.6
		90 largest			**292,830**	**78.6**

1 Unquoted investment

Investment Portfolio as at 30 June 2014 (unaudited) (continued)

Ranking 2014	Ranking 2013	Company	Principal activities	Geographical area	Valuation 2014 £'000	Percentage of portfolio
91	109	RIB Software	Software & computer services	Germany	2,260	0.6
92	–	SAFT	Electronic & electrical equipment	France	2,256	0.6
93	89	Tomra	Industrial engineering	Norway	2,234	0.6
94	34	Yoox	General retailers	Italy	2,227	0.6
95	21	Indra Sistemas	Software & computer services	Spain	2,224	0.6
96	87	Haulotte	Industrial engineering	France	2,211	0.6
97	88	Hi-Media	Media	France	2,192	0.6
98	–	IMCD	Chemicals	Netherlands	2,174	0.6
99	106	Saes Getters Di Risp	Electronic & electrical equipment	Italy	2,131	0.6
100	55	Uzin Utz	Construction & materials	Germany	2,072	0.6
		100 largest			**314,811**	**84.6**
101	46	Lets Gowex	Fixed line telecommunications	Spain	2,065	0.6
102	–	Mytilineos	Industrial metals & mining	Greece	2,061	0.6
103	91	Kvaerner	Oil equipment services & distribution	Norway	2,026	0.5
104	–	Aegean Airlines	Travel & leisure	Greece	2,023	0.5
105	24	Altran	Software & computer services	France	1,983	0.5
106	–	SFS Group	General industrials	Switzerland	1,982	0.5
107	–	Banca Popolare Dell Emilia Romagna	Banks	Italy	1,930	0.5
108	–	Nexus	Software & computer services	Germany	1,904	0.5
109	–	Atea	Software & computer services	Norway	1,828	0.5
110	98	KSB	Industrial engineering	Germany	1,803	0.5
		110 largest			**334,416**	**89.8**
111	60	Flsmidth & Co	Construction & materials	Denmark	1,793	0.5
112	–	Cewe Stiftung	General retailers	Germany	1,784	0.5
113	90	Industria Macchine Automatiche	Industrial engineering	Italy	1,752	0.5
114	43	Moleskine	Household goods & home construction	Italy	1,752	0.5
115	–	Cembra Money bank	Banks	Switzerland	1,749	0.5
116	108	Sipef	Food producers	Belgium	1,722	0.5
117	33	Tessenderlo Chemie	Chemicals	Belgium	1,702	0.5
118	84	Suess Microtec	Electronic & electrical equipment	Germany	1,692	0.4
119	–	Technicolor	Media	France	1,684	0.4
120	99	Tomorrow Focus	Media	Germany	1,676	0.4
		120 largest			**351,722**	**94.5**
121	–	Interparfums	Personal goods	France	1,651	0.4
122	36	Partners Group	Financial services	Switzerland	1,623	0.4
123	–	CDON	General retailers	Sweden	1,611	0.4
124	–	Blue Solutions	Electronic & electrical equipment	France	1,602	0.4
125	19	Azimut	Financial services	Italy	1,572	0.4
126	16	Fugro	Oil equipment services & distribution	Netherlands	1,569	0.4
127	–	FinecoBank	Banks	Italy	1,509	0.4
128	93	Evotec	Pharmaceuticals & biotechnology	Germany	1,460	0.4
129	96	Portucel	Forestry & paper	Portugal	1,451	0.4
130	–	Seche Environnement	Support services	France	1,371	0.4
		130 largest			**367,141**	**98.5**
131	–	Vetropack	General industrials	Switzerland	1,321	0.4
132	110	SNP Schneider-Neureither & partner	Software & computer services	Germany	994	0.3
133	114	Myriad	Software & computer services	Switzerland	974	0.3
134	112	Doughty Hanson & Co. Fund III[1]	Investment fund	Other	743	0.2
135	111	Batla Minerals	Industrial metals & mining	France	730	0.2
136	–	Kambi	Travel & leisure	Sweden	309	0.1
		Total investments			**372,212**	**100.0**

1 Unquoted investment

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