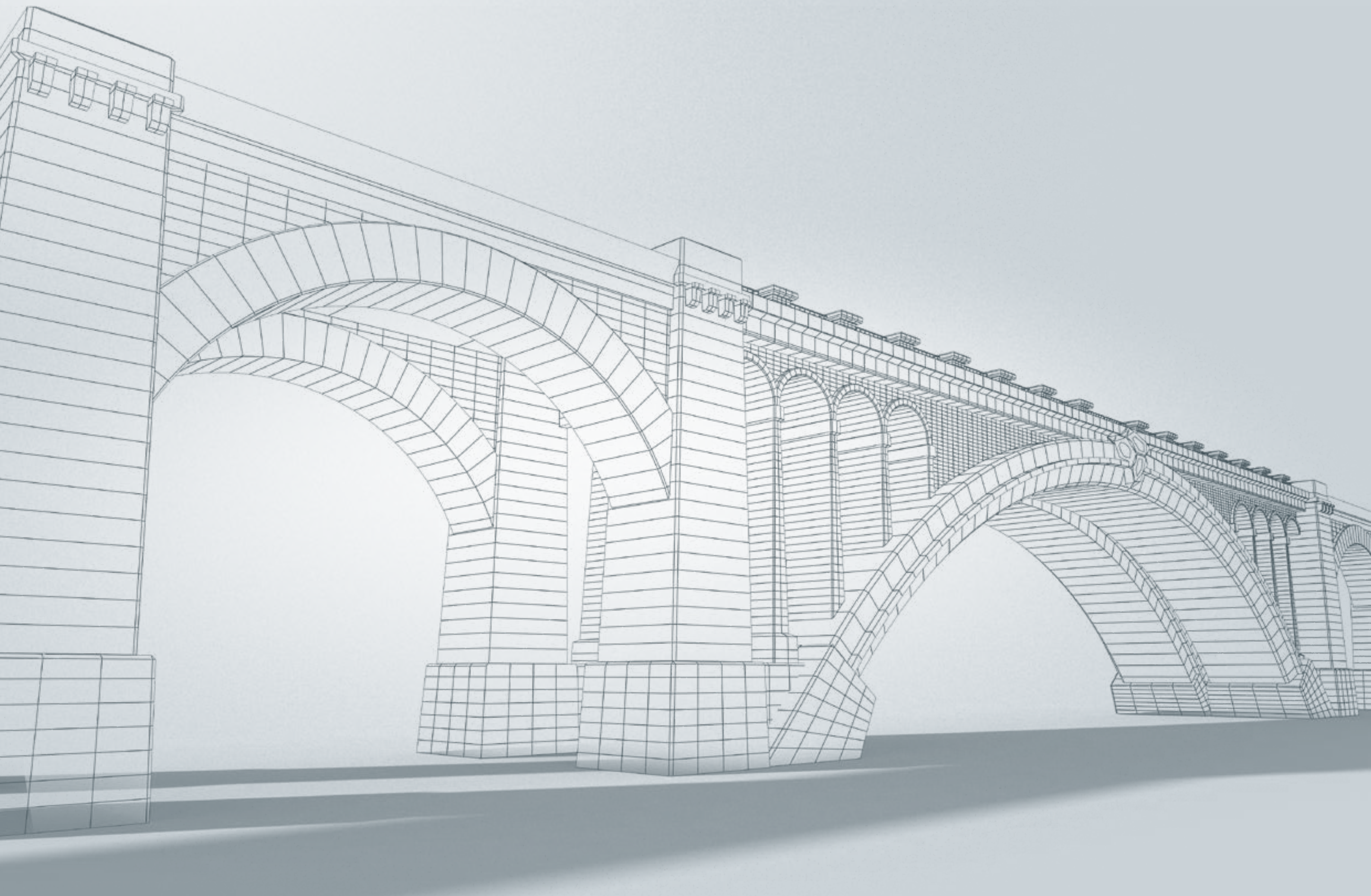
# TR EUROPEAN GROWTH TRUST PLC

## Annual Report 2019



MANAGED BY
Janus Henderson
INVESTORS

# Contents

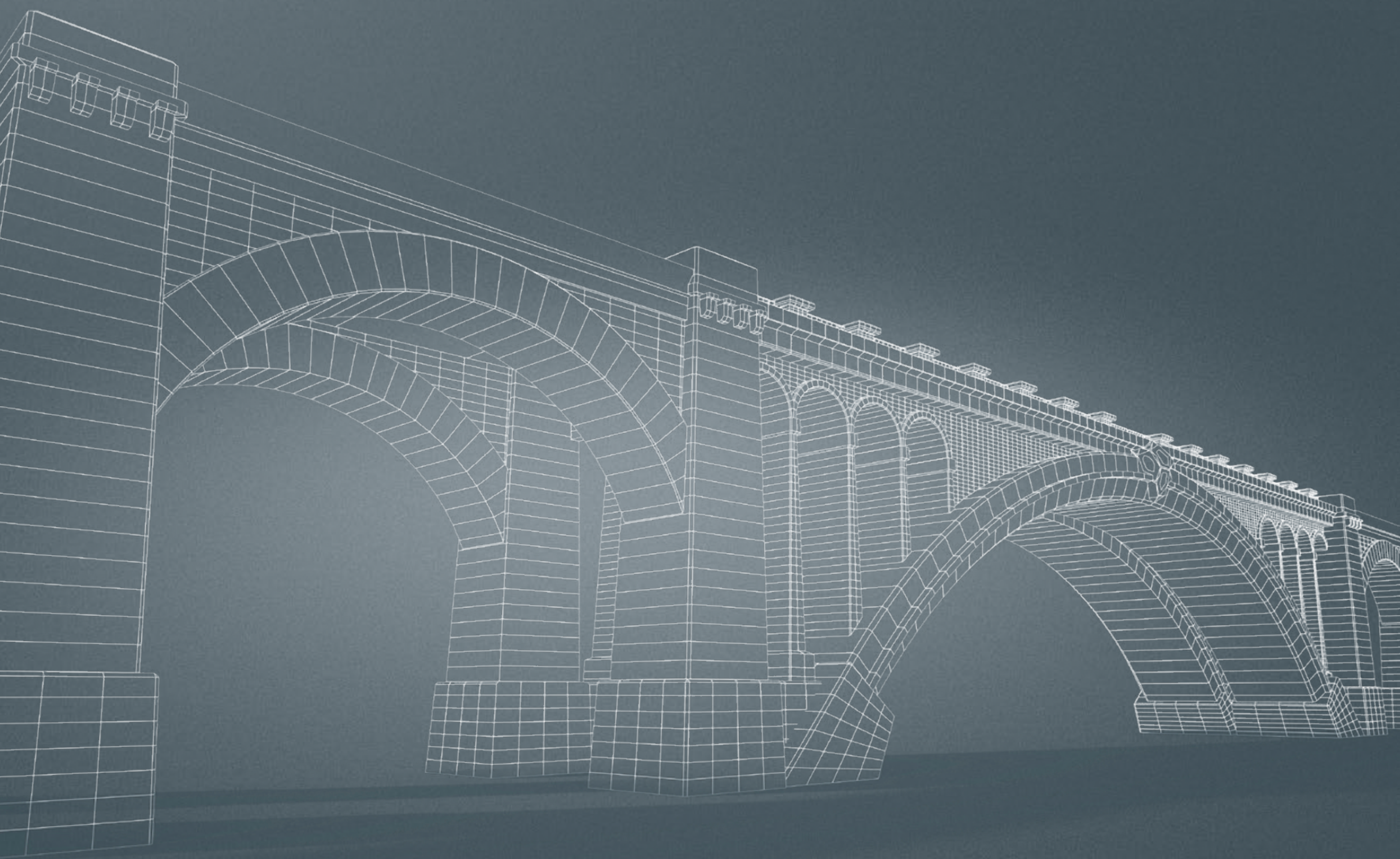


**The image on the front cover is the Adolphe Bridge, Luxembourg.**

# Strategic Report

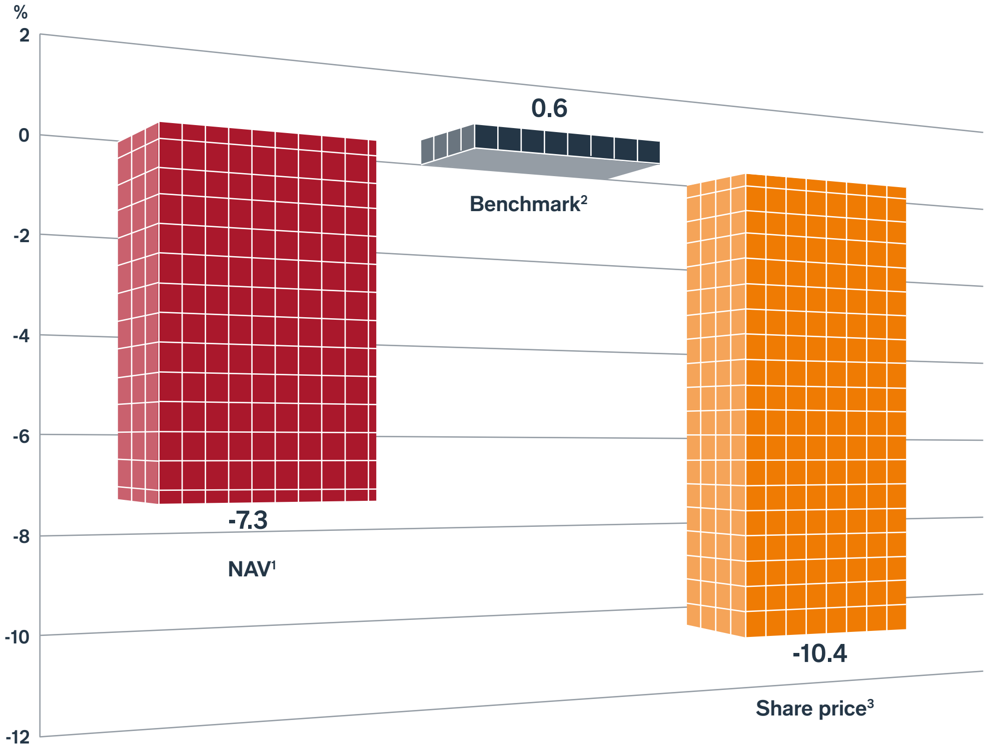
## Investment Objective

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

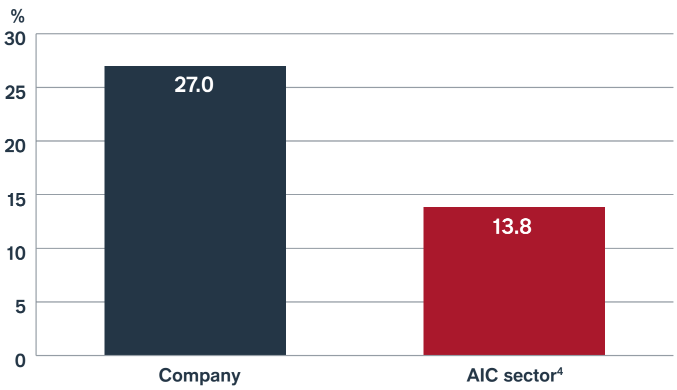


# Strategic Report: Performance Highlights

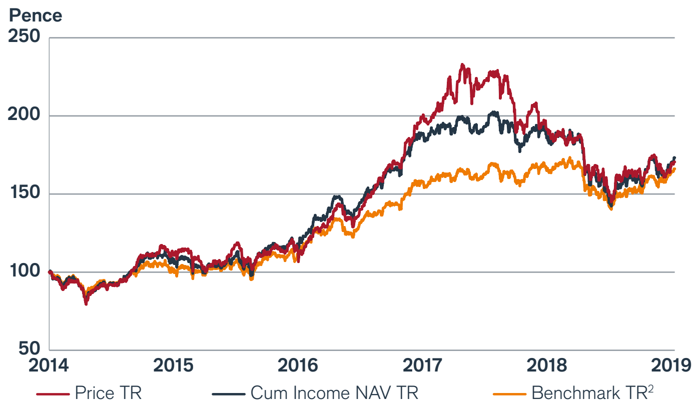
## Total return performance for the year to 30 June 2019



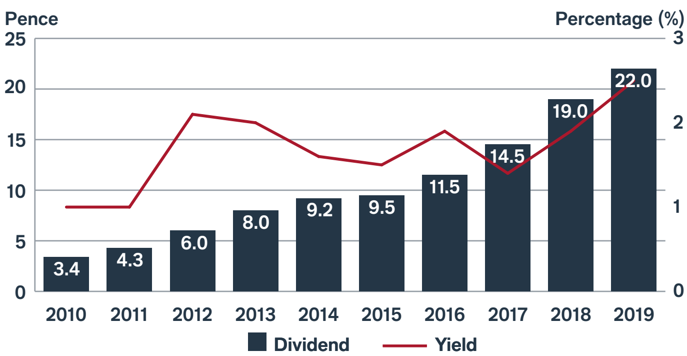

## Five year dividend growth as at 30 June 2019



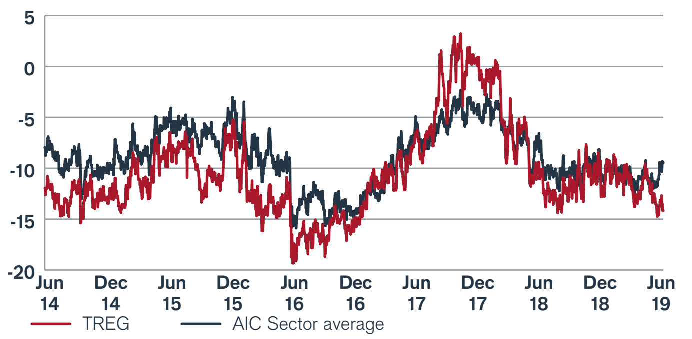

## Total return performance over five years to 30 June 2019




## Dividend per share and dividend yield to 30 June 2019




## Premium/discount over the five years to 30 June 2019[5]



# Strategic Report: Performance Highlights (continued)

## NAV per share at year end

**2019 1,039.79p**

2018 1,146.70p

## Share price at year end

**2019 892.00p**

2018 1,020.00p

## Dividend for year[6]

**2019 22.00p**

2018 19.00p

## Dividend yield[7]

**2019 2.47%**

2018 1.86%

## Ongoing charge for year[8]

**2019 0.72%**

2018 0.71%

## Gearing at year end

**2019 11.4%**

2018 9.0%

## Number of investments[9]

**2019 146**

2018 142

## Performance fee

**2019 £nil**

2018 £1.3m

1 Net Asset Value (NAV) total return (including dividends reinvested)
2 The benchmark is the Euromoney Smaller European Companies Index (ex UK) expressed in Sterling
3 Share price total return using mid-market prices
4 The Association of Investment Companies ("AIC") sector is the European Smaller Companies sector
5 Calculated using the published daily NAVs including current year revenue compared with the average discount of the AIC sector
6 Includes the interim dividend paid on 12 April 2019 and final dividend recommended to shareholders for approval
7 Based on the total dividend and share price at the end of the year
8 Calculated using the methodology prescribed by the Association of Investment Companies and excluding the performance fee
9 Excludes stocks valued at nil

Sources: Morningstar for the AIC, Janus Henderson, Datastream

A glossary of terms can be found on page 17

# Strategic Report: Investment Objective and Policy

## Investment objective

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

## Investment policy

The following investment ranges apply:
Equities: 80% – 100%
Fixed Income and Cash: 0% – 20%

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

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

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

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

### Derivatives

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

### Gearing

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

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

## Management fee arrangements

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

The Manager is engaged under the terms of an Investment Agreement effective from 22 July 2014 and amended in 2018. The agreement is terminable on six months' notice. The Fund Management team is led by Ollie Beckett, who has been in place since 1 July 2011.

The base management fee for the first quarter of the financial year, 1 July to 30 September 2018, was 0.6% of net assets charged quarterly in arrears. With effect from 1 October 2018 the fee for net assets in excess of £500 million reduced to 0.5% of net assets.

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

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

# Strategic Report: Chairman's Statement

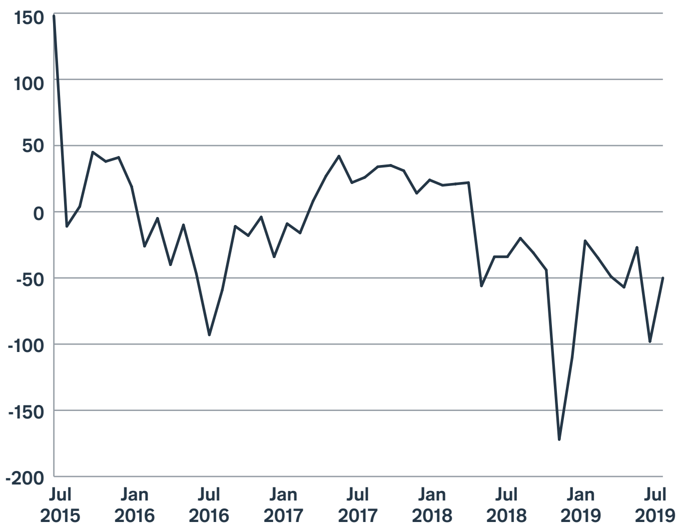
**The Chairman of the Board, Audley Twiston-Davies, reports on the year to 30 June 2019**

## Backdrop

European equities continued their rollercoaster ride in the second six months of the Company's financial year amid trade tensions and Brexit uncertainty. The last quarter of 2018 with its rising US central bank interest rates and an end to the European Central Bank's ("ECB") quantitative easing, saw the benchmark lose 14.2% of NAV total return, with our portfolio's performance not far behind.

Fortunes reversed in the first three months of 2019, with the index regaining some of its losses and producing a NAV total return of 7.4%. The Company performed slightly better than the benchmark with the NAV total return marginally higher at 7.9% by the end of March. However, rising trade tensions, uncertainty caused by a delayed Brexit, Italy's standoff with the European Union and signs of widespread economic weakness across the Eurozone led to a European equity sell off in May, as indicated clearly in the chart below. In the first six months of 2019, the open-ended European smaller companies sector experienced net outflows totalling £266m, continuing the trend seen in the last nine months of 2018, where £523m left the sector.

**European equities out of favour: Open-ended fund flows**




Source: Investment Association, Winterflood

The first six months of 2019 saw the benchmark, and the Company's performance in NAV total return terms, fall back into negative territory, only to be buoyed once more going into June on speculation of fresh rounds of monetary stimulus to keep the region's slowing economies afloat along with news of the nomination of Christine Lagarde as the next ECB president. It is expected that she will continue the loose monetary policy of the current incumbent, Mario Draghi.

## Performance

Against this unsettled backdrop, the Company performed poorly, producing a net asset value per share total return of negative 7.3% for the year ended 30 June 2019, compared to the benchmark of 0.6%, largely the result of the Company's exposure to micro-cap companies. The share price total return was a negative 10.4%. However, the five year performance figures remained notably ahead of the benchmark with a NAV total return of 73.3%, 7.2% ahead of the benchmark.

## Dividend

The income generated by the portfolio remained robust over the year despite the ongoing volatile market conditions and the Board is pleased to recommend a final dividend of 14.50p per ordinary share. Subject to shareholder approval at the upcoming annual general meeting, the dividend will be paid on 29 November 2019 to shareholders on the register on 24 October 2019.

The recommendation for the final dividend represents a 3.6% increase over the prior year and, combined with the interim dividend of 7.50p per ordinary share, brings the total dividend for the year to 22.00p per ordinary share (2018: 19.00p), an increase of 15.8% over last year.

# Strategic Report: Chairman's Statement (continued)

## Changes to the Board

As it is my intention to retire at the 2019 Annual General Meeting, and Andrew Martin Smith had indicated that he wishes to retire by the time of the 2020 Annual General Meeting, the Board has progressed with implementing its succession plans during the course of the year.

We were pleased to announce the appointment of Ann Grevelius on 23 September 2019. Ann brings with her almost twenty years of investment management experience having been Chief Investment Officer and Global Head of Investment Strategy at SEB. She will continue to strengthen the presence of European-based directors on the Board which enables us to stay in touch with sentiment on the Continent.

On 2 October 2019, we further announced the appointment of Daniel (Dan) Burgess to the Board. Dan will succeed Christopher Casey as Chairman of the Audit Committee when Christopher becomes Chairman of the Board following my resignation at the conclusion of the 2019 Annual General Meeting. The decision to appoint Christopher as my successor was taken to ensure a strong level of continuity on the Board which is especially important for the Company given the entirely non-executive nature of the Board.

Dan has extensive audit and accounting experience having been a partner at KPMG for twenty-three years. He initially led the statutory audits of a number of large public limited companies and public interest entities before specialising in due diligence and regulatory services on mergers and acquisitions and capital market transactions. His appointment will become effective from 25 November 2019.

## Continuation vote

The 2019 Annual General Meeting is due to be held at 12.30 pm on 25 November 2019 at 201 Bishopsgate, London EC2M 3AE. I encourage all shareholders to attend or, if they are unable to do so, to vote by completing their Form of Proxy which is enclosed with this document. All of the resolutions being put to shareholders are set out in the accompanying Notice of Meeting.

In keeping with the provisions of the Articles of Association, shareholders will be invited to vote on the continuation of the Company at the annual general meeting. We appreciate that performance over the last 12 months has been lack-lustre, but I wish to highlight the long term performance of the Company over the five and ten year horizons (see the table on page 10). These are the periods for which the structure of the Company is best suited for delivering the capital growth set out in the investment objective. The Fund Manager, Ollie Beckett, will provide a presentation on the Company's performance and be available to shareholders for questions.

The Board recommend that shareholders vote in favour of all resolutions, including the continuation of the Company, as they intend to do in respect of their personal holdings.

## Outlook

The Company is operating in an environment of low economic growth globally, compounded by escalating Sino-American trade wars. This has clearly had a negative impact, given that Europe is geared to global growth. Within Europe, a lack of political clarity on the Continent and Brexit uncertainty in the UK has undermined confidence in the region. This means that Europe and smaller companies are currently very much out of favour, which has been reflected in the widening of the discount to NAV.

However, despite the uncertainty, a combination of supportive monetary policy and, in some countries, supportive fiscal policy means that a global recession is avoidable. As an asset class, European smaller companies has often seen periods of unpopularity, but in the long run, historical performance would suggest it is a rewarding asset class for the patient investor.

We recognise that the last year has not been a fruitful one for the Company's investors. We are hopeful that our managers, with a vast investment universe to explore, can navigate these uncertain markets and preserve the Company's unique, true small-cap offering, while delivering healthy returns for our investors.

Audley Twiston-Davies
Chairman
2 October 2019

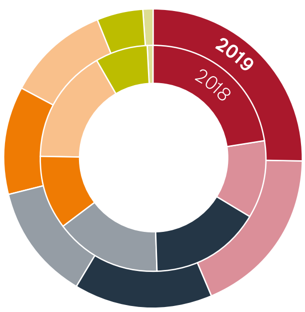
# Strategic Report: Portfolio Information

## Ten largest investments at 30 June 2019

| Ranking 2019 | Ranking 2018 | Company | Principal activities | Geographical area | Valuation 2019 £'000 | Percentage of portfolio |
|---|---|---|---|---|---|---|
| 1 | 2 | **Van Lanschot** | Specialist independent wealth management, private and merchant banking www.vanlanschot.nl | Netherlands | 13,088 | 2.2 |
| 2 | 7 | **TKH** | Specialists in the creation and delivery of innovative telecom, building and industrial solutions www.tkhgroup.com | Netherlands | 12,323 | 2.1 |
| 3 | 47 | **DFDS** | World leading ferry operator providing ferry travel across Europe www.dfdsseaways.co.uk | Denmark | 12,056 | 2.1 |
| 4 | 21 | **Nexans** | Global leader in advanced cabling and connective solutions www.nexans.co.uk | France | 10,241 | 1.8 |
| 5 | 8 | **Gaztransport et Technigaz** | Engineering company specialising in containment systems for shipping and storage of liquefied natural gas in cryogenic conditions www.gtt.fr | France | 10,220 | 1.8 |
| 6 | 4 | **Dermapharmaceutical** | Leading manufacturer of patent-free branded pharmaceuticals www.dermapharm.de | Germany | 9,110 | 1.6 |
| 7 | 5 | **Banca Farmafactoring** | Credit management and specialised financial services for health care providers and public administration www.bffgroup.com | Italy | 8,248 | 1.4 |
| 8 | – | **Karnov** | Provider of critical information in the areas of legal, tax and accounting and environmental, health and safety in Denmark and Sweden www.karnovgroup.com | Sweden | 8,217 | 1.4 |
| 9 | 13 | **Tarkett** | World leader in innovative flooring and sports surface solutions www.tarkett.com | France | 8,149 | 1.4 |
| 10 | 14 | **Conzzeta** | Conglomerate of Swiss companies offering innovative solutions in sheet metal processing, foam materials, graphic coatings and outdoor clothing and equipment www.conzzeta.com | Switzerland | 7,508 | 1.3 |
| | | | | | **99,160** | **17.1%** |

## Sector exposure at 30 June 2019

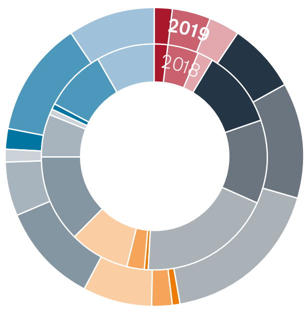
As a percentage of the investment portfolio excluding cash




| | 2019 % | 2018 % |
|---|---|---|
| Industrial goods | **25.3** | 22.7 |
| Consumer Goods | **18.5** | 11.0 |
| Basic materials | **14.9** | 15.9 |
| Financial | **12.5** | 15.2 |
| Business Providers | **11.7** | 10.7 |
| Technology | **11.1** | 16.4 |
| Retail Providers | **5.0** | 7.5 |
| Natural Resources | **1.0** | 0.6 |

## Geographic exposure at 30 June 2019

As a percentage of the investment portfolio excluding cash




| | 2019 % | 2018 % |
|---|---|---|
| Austria | **2.0** | 2.1 |
| Belgium | **4.3** | 4.3 |
| Denmark | **3.4** | 2.4 |
| Finland | **7.4** | 11.1 |
| France | **12.5** | 12.0 |
| Germany | **17.8** | 19.0 |
| Greece | **0.7** | 0.6 |
| Ireland | **2.3** | 2.5 |

| | 2019 % |
|---|---|
| Italy | **7.4** |
| Netherlands | **10.9** |
| Norway | **5.9** |
| Portugal | **1.5** |
| Spain | **2.1** |
| Sweden | **12.4** |
| Switzerland | **9.4** |

# Strategic Report: Fund Manager's Report

**The Fund Manager of the portfolio, Ollie Beckett, reports on the year to 30 June 2019**

**Rory Stokes is the Deputy Fund Manager and assists with the management of the portfolio**

## Introduction

The financial year ending June 2019 was a relatively poor one for the Company, with underperformance driven by both "top down" and "bottom up" decisions. Markets were volatile throughout the review period. President Trump escalated his rhetoric and actions on trade towards Europe and China, causing further uncertainty. The Italian government tussled with the European Union over budget deficits, while Brexit uncertainty acted as a drag on the European economy and the ratings of many quoted companies. The global economy lost momentum as central banks began to raise interest rates and commence quantitative tightening measures.

We were too optimistic in our hopes for a resolution to the global trade war, underestimating the impact of US President Trump's tweets on risk appetite, and misjudged the speed at which global central banks would tighten policy. The protracted market fall we saw towards the end of 2018 was bad news for the Company, which paid for its exposure to the smaller end of the market cap scale, where stocks can often be relatively illiquid or economically sensitive. The subsequent market rally in the first half of 2019 did not deliver enough for the Company to recover the losses.

Overall in the financial year ending June 2019 the portfolio lost 7.3% versus a rise of 0.6% in the benchmark index.

## The Portfolio

We continue to focus the portfolio on a blend of structural growth, mis-priced cash flows and self-help investment cases, with keen valuation awareness. This is not a value portfolio – value has been out of vogue since the global financial crisis, after all. Also, we are simplistically looking for relatively small companies that will grow. However, we are of the belief that what we pay for the cash flows of a company is crucial and will ultimately be what drives market prices over the longer term.

We have invested in what we see as attractively valued companies, such as Italian loan management servicer **Dovalue** (formerly Dobank). This was a business that traded like an Italian bank, despite not running principal risk on the non-performing loans that it helps collect. Elsewhere, we invested in French recreational vehicle manufacturer **Trigano**, which we believe is well positioned to benefit from the new Euro 6d engine standards which came into force this summer. We also invested in structural growth names such as Norwegian liquefied natural gas ("LNG") ship owner **FLEX LNG**, which has a modern fleet exposed to the growing LNG market. Similar growth investments included Swedish video game developer **THQ Nordic** and **Varta**, the German manufacturer of miniaturised lithium-ion batteries.

## Performance attribution

Poor performance during the review period was largely due to a combination of misjudged investments in specific stocks and being too leveraged into weaker markets that characterised the first half of the financial year. At a stock level, the largest detractor was German lifestyle e-commerce business **Westwing**. This was an initial public offering that was poorly handled by the listing banks, coupled with – in hindsight – a steep valuation that was undermined by substantial earnings downgrades caused by weakness in its international business. We retain a holding in the company as the core German business alone more than justifies the current market cap.

Finnish modular construction business **Lehto** also disappointed, after management deviated from the core strategy to take on a series of renovation projects generating substantial losses. We developed concerns about the balance sheet and exited the position at a loss. Dutch oil services company **Fugro** has been a disappointment having not yet seen the market recovery we anticipated.

We saw a positive contribution to performance from French LNG container system engineering company **Gaztransport et Technigaz** ("GTT"). LNG is structurally growing as a fuel and GTT is the dominant player in designing the liners for the associated carrier vessels. A position in German listed technology company **Dialog Semiconductor** also added value. We reinvested in the company after the market became overly despondent about the business after Apple, its largest client, announced plans to take power chip development in-house. French producer of silicon-on-insulator semiconductor wafers **S.O.I.T.E.C.** was another strong performer. Its products, which offer big improvements in semiconductor power efficiency, began to gain serious traction.

# Strategic Report: Fund Manager's Report (continued)

## Geographical and sector distribution

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

At a geographical level, the Company remains overweight in Germany, Finland and the Netherlands, underweight Spain and Austria, where we have struggled to find significant pockets of value. In Germany, we initiated a position in specialty pharmaceutical services company **Medios**, which is experiencing double digit sales growth. We also invested in **Ströer**, a leading provider of out-of-home advertising in Germany, and **Befesa,** the global leader in the collection and recycling of steel dust, salt slags and aluminium residues. We exited a position in 3D laser manufacturer **SLM Solutions**, which has struggled to turn its technological advantages into sales. We also exited restaurant group **Vapiano** as it struggled to cope with the pace of growth and cost inflation.

In Finland we bought a position in consumer packaging products manufacturer **Huhtamaki**, as the company seems poised to reap the benefits of a substantial investment phase. In the Netherlands we invested in Icelandic headquartered (but Dutch listed) food processing technology company **Marel**, which manufactures equipment used in meat handling and processing.

At a sector level, we are overweight industrials, consumer discretionary and technology. In industrials, we added names such as Swiss sealing solutions provider **Daetwyler** and German engine manufacturer **Deutz**. In consumer discretionary, we liked the look of **MIPS**, which designs and manufactures brain protection system for helmets. **MIPS**'s clients purchase its designs to integrate into cycling, skiing and horse riding helmets, and they will soon be used in motorcycle, army and construction helmets. In technology, we added names such as **Data Respons**, which provides research and development engineering services and technology to help customers solve complex problems such as car automation.

The Company remains underweight real estate where there is a scarcity of attractively valued opportunities, and consumer staples, where valuations look steep for pedestrian growth.

## Other purchases

Other substantial purchases include Swedish listed **Karnov**, which provides critical legal information for the law profession in Sweden and Denmark. We bought shares in Spanish dermatology pharmaceuticals producer, **Almirall**, Norwegian salmon producer **Salmar** and Irish health care services provider **UDG**.

## Other disposals

We sold the holdings in Swedish rack-and-pinion lift manufacturer **Alimak**, Norwegian sports retailer **XXL** and Finnish weather equipment producer **Vaisala**. We also closed the position in **Brainlab** after 17 years, all but completing the disposal of unquoted holdings that the Company had purchased under the previous manager. We retain a very small position in **21 Centrale Partners**.

## Currency

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

## Outlook

The global economy appears to be slowing as a consequence of trade wars, arguably too rapid monetary tightening and general political uncertainty. Europe is out of favour with asset allocators and the European equities market has seen heavy outflows this year. The transition to a new EU Commission, new leadership at the European Central Bank and Brexit all need to be navigated in the coming months. We do not expect global politics to become more harmonious or less noisy, but are of the view that economics matters more than politics.

Our current view is that the risks associated with an overly rapid tightening of policy have been recognised by central banks, resulting in a change of tack that should allow global money supply to grow sufficiently, warding off imminent recession. A settlement to the trade dispute between the US and China looks more remote. Most participants now accept this will be a generational battle between two hegemonies. Hopefully, fiscal stimulus in the US and China will help stabilise the economy. A fiscal stimulus from Europe is also possible.

In this environment, valuations for European smaller companies do not look stretched, although investor demand has pushed multiples for reliable "bond proxies", "low volatility" equities and favoured momentum names to very high levels. The Company is not a value portfolio, but we are acutely aware of valuation. "Value" stocks have rarely looked so cheap. We continue to hunt out the mispriced opportunities in our market and see attractive potential in those stocks where we have invested capital.

The portfolio offers both healthy earnings growth and strong income. There are ample investment opportunities in our market, with good businesses that trade at attractive prices. In the medium term we believe that European smaller companies will continue to deliver superior investment returns, as they have in the past.

Ollie Beckett and Rory Stokes
2 October 2019

# Strategic Report: Historical Information

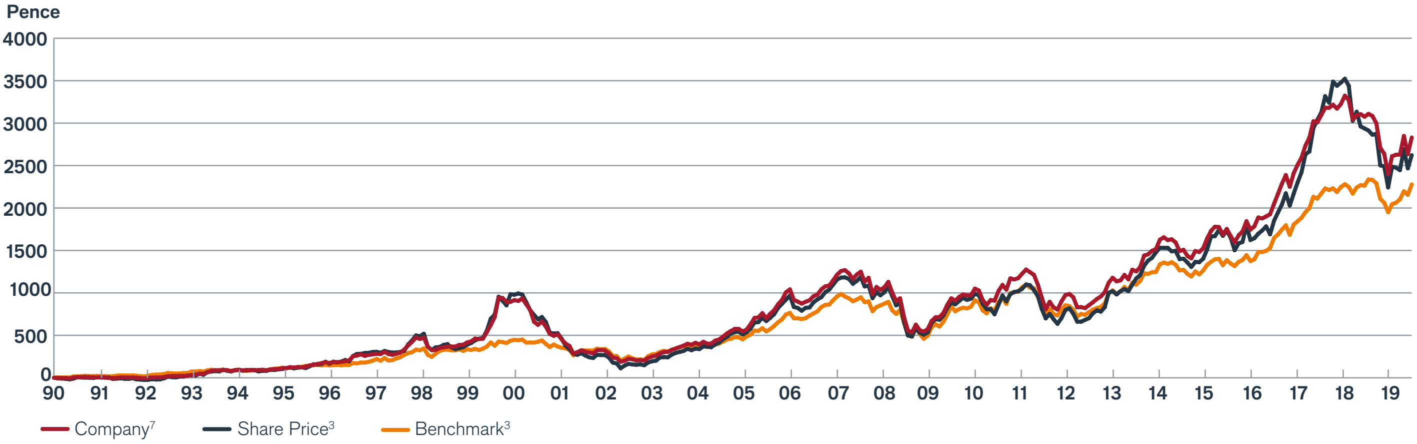
## Total return performance to 30 June 2019

(including dividends reinvested and excluding transaction costs)

| | 1 year % | 3 years % | 5 years % | 10 years % | Since launch[1] % |
|---|---|---|---|---|---|
| NAV[2] | (7.3) | 44.7 | 73.3 | 259.8 | 2,831.2 |
| Benchmark[3] | 0.6 | 46.0 | 66.1 | 238.2 | 2,278.2 |
| Average sector NAV[4] | 0.8 | 48.6 | 81.9 | 196.1 | 3,290.1 |
| Share price[5] | (10.4) | 52.1 | 70.5 | 247.5 | 2,622.9 |
| Average sector share price[6] | (0.3) | 60.4 | 82.2 | 320.1 | 2,629.4 |

## NAV and share price total return compared with the benchmark since launch to 30 June 2019

(rebased to ordinary subscription price at launch)




## Financial information

| At 30 June | Net assets £'000 | NAV per ordinary share p | Mid-market price per ordinary share p | Discount % | Profit/(loss) for year £'000 | Revenue return p | Capital return p | Total return p | Final dividend p | Special/ interim dividend[8] p | Expenses % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 |
| 2015 | 337,645 | 675.6 | 624.00 | 7.6 | 16,565 | 11.34 | 21.80 | 33.14 | 7.00 | 2.50 | 0.78 |
| 2016 | 377,683 | 755.7 | 620.00 | 18.0 | 44,782 | 13.48 | 76.12 | 89.60 | 9.00 | 2.50 | 0.79 |
| 2017 | 569,459 | 1,145.5 | 1,071.00 | 6.5 | 199,540 | 17.09 | 383.67 | 400.76 | 11.50 | 3.00 | 0.75 |
| 2018 | 574,591 | 1,146.7 | 1,020.00 | 11.0 | 9,936 | 22.06 | (2.18) | 19.88 | 14.00 | 5.00 | 0.71 |
| **2019** | **521,023** | **1,039.8** | **892.00** | **14.2** | **(42,795)** | **24.08** | **(109.49)** | **(85.41)** | **14.50** | **7.50** | **0.72** |

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
3 Euromoney Smaller European Companies Index (ex UK) total return and expressed in Sterling
4 The sector is the AIC European Smaller Companies sector
5 Share price total return using mid-market closing price
6 Average share price for the AIC European Smaller Companies sector
7 Share price total return
8 An interim dividend has been paid since 2018

Sources: Janus Henderson, Morningstar for the AIC, Datastream

# Strategic Report: Corporate Information

## Directors

The directors in office at the date of this report are:

### Audley Twiston-Davies

**Position:** Chairman of the Board and of the Nomination and Management Engagement committees

**Date of appointment:** 31 January 2000 (Chairman from 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 was a partner of KPMG LLP and its predecessor firms from 1992, having joined Peat Marwick & Mitchell in 1977. He was an audit partner responsible for large and listed companies but latterly specialised in mergers and acquisitions advisory assistance. He retired from KPMG LLP in February 2010.

He is a non-executive director of Eddie Stobart Logistics plc, BlackRock North American Income Investment Trust plc, CQS Natural Resources High Yield Trust plc and Mobius Investment Trust plc. He is a director of the Company's subsidiary.

### Ann Grevelius

**Position:** Independent non-executive director
**Date of appointment:** 23 September 2019

Ann is a senior advisor at GP Bullhound, a technology advisory and investment firm, and has more than twenty years' experience in the asset management sector. She was Chief Investment Officer and Global Head of Investment Strategy at SEB Wealth Management. Prior to that, Ann was head of Swedish and Nordic equities at SEB Investment Management and Handelsbanken Asset Management.

She is Chairman of Optise AB, a fintech start-up within digital asset management, a member of the Board of Carneo AB, a Nordic multi-boutique asset manager, a member of the Board of Hallvarsson & Halvarsson Group, a leading communication advisor, and a member of the Listing Committee of Nasdaq Stockholm.

### Simona Heidempergher

**Position:** Independent non-executive director
**Date of appointment:** 1 September 2014

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

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

### Andrew Martin Smith

**Position:** Independent non-executive director
**Date of appointment:** 19 May 2008

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

### Alexander Mettenheimer

**Position:** Independent non-executive director
**Date of appointment:** 1 July 2011

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

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

All directors are independent of the Manager and are members of the Nomination Committee and Management Engagement Committee. All directors, with the exception of the Chairman, are members of the Audit Committee.

# Strategic Report: Corporate Information (continued)

## Registered office

201 Bishopsgate
London EC2M 3AE

## Service providers

### Alternative Investment Fund Manager

Henderson Investment Funds Limited
201 Bishopsgate
London EC2M 3AE

### Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

### Corporate broker

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

### Corporate Secretary

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

### Registrar

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

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

There is a range of shareholder information online.

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

## Statutory Auditor

Ernst & Young LLP
25 Churchill Place
London E14 5EY

## Financial calendar

| | |
|---|---|
| Annual results announced | October 2019 |
| Ex dividend date | 24 October 2019 |
| Dividend record date | 25 October 2019 |
| Annual General Meeting | 25 November 2019[1] |
| Dividend payment date | 30 November 2019 |
| Half year results announced | February 2020 |

1 At the Company's registered office at 12.30 pm

## Information sources

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

### HGi

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

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

### Follow Janus Henderson Investment Trusts on Twitter, YouTube and Facebook

To get the latest updates follow us on Twitter @JHiTrustsUK

## Investing

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

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

## Nominee share code

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

# Strategic Report: Business Model

## Our strategy

The Company's purpose is to deliver capital growth to shareholders by investing in smaller and medium sized European companies. We fulfil this purpose by operating as an investment company which enables us to delegate operational matters to specialised third-party service providers while retaining independent oversight of the Company's operations.

The framework of delegation provides the Company with a cost-effective mechanism for delivering operations whilst allowing us to take advantage of the capital gains treatment afforded to investment trusts which are approved under sections 1158/9 ("s.1158/9") the Corporation Tax Act 2010. The close-ended nature of the Company permits the Fund Manager to take a longer term view on investments and remain fully invested as we don't have to meet redemptions. The Company may use leverage to increase returns for shareholders, which provides us with a significant advantage over other investment fund structures. Full details of the investment objective and policy can be found on page 4.

The Board is comprised entirely of non-executive directors accountable to the shareholders, who have the ability to remove a director from office where they deem it to be in the interests of the Company.

## The Company's 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 s.1158/9 of the Corporation Tax Act 2010 as amended. The directors are of the opinion that the Company has conducted its affairs in compliance with s.1158/9 since approval was granted and intends to continue to do so.

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

The Company, and the Board, is governed by its Articles of Association, amendments to which must be approved by shareholders by way of a special resolution. The Company has a wholly owned subsidiary, TREG Finance Limited, which was dormant throughout the year. The Company and subsidiary are referred to as the "Group".

## Promoting the Company's success

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

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

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

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

## Measuring our performance

The Board has established key performance indicators ("KPIs") to assist it in measuring performance.

**Performance against the benchmark**
At each meeting, the Board reviews the performance of the NAV per share and share price of the Company compared to the benchmark.

**Discount to NAV**
The Board reviews the level of the Company's discount to NAV per share (including income) and the average discount or premium for the AIC European Smaller Companies sector at each meeting.

**Performance against the Company's peer group**
The Board considers the performance of the relevant AIC sector, other European investment funds and other European funds managed by the Manager.

## Borrowings

The Company has a secured multicurrency overdraft arrangement with HSBC Bank plc that allows it to borrow up to the lesser of £100 million and 25% of custody assets as and when required. As at 30 June 2019, £57 million (2018: £46m) of the facility was drawn down.

# Strategic Report: Business model (continued)

## Managing our risks

The Board, with the assistance of Janus Henderson, has carried out a robust assessment of the principal risks and uncertainties facing the Company that would threaten the business model, future performance, solvency and liquidity. This includes consideration of the market uncertainty arising from the United Kingdom's negotiations to leave the European Union ("Brexit") and the possible implications for sterling, and therefore the value of the Company's portfolio. A matrix of these risks has been drawn up, along with the steps taken to mitigate them. The principal risks are set out below and, in our view, have remained unchanged throughout the year:

| Principal risk | Mitigating measure |
|---|---|
| **Investment activity and performance**<br>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 the extent of its borrowings. |
| **Portfolio and market price**<br>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.<br>Investments in European markets may be impacted by political events. A fall in the market value of the Company's portfolio would have an adverse effect on shareholders' funds. | The Manager is committed to maintaining a diversified portfolio to mitigate against this risk. The Board reviews the portfolio and performance at each meeting. |
| **Tax and regulatory**<br>A breach of s.1158/9 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax.<br>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. | The Manager provides investment, company secretarial, administration and accounting services through qualified professionals.<br>The Board receives internal control reports produced by the Manager on a quarterly basis, which confirm regulatory compliance. |
| **Operational**<br>Disruption to, or failure of, the Manager's accounting, dealing or payment systems or the custodian's records could prevent the accurate reporting and monitoring of the Company's financial position.<br>The Company is exposed to the operational risk that one or more of its service providers may not provide the required level of service. | The Board monitors the services provided by its third-party service providers and receives reports on the key elements in place to provide effective internal control. |

## The Company's viability

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

The Company's viability is considered as part of the continuing programme of risk monitoring. In carrying out this assessment, we take account of the likely impact of the principal risks facing the Company materialising in severe, but plausible, scenarios. In particular, we considered the investment strategy and gearing applied by the Manager in the market conditions prevailing at the time of the assessment, the nature of the Company's borrowing facilities and how a breach of any covenants could impact on the Company's net asset value and share price, as well as the liquidity of the portfolio. We review the mitigating controls currently in place and consider if these continue to be appropriate.

Following conclusion of the assessment, we determined that the Company's assets are liquid, its commitments limited and that, as we intend that the Company continue operating as an investment trust, the business model remains appropriate. No significant changes to the current principal risks and the mitigating controls in place are anticipated, and we do not envisage any material change in the investment objective and policy. We are not aware of any events that would prevent the Company from continuing to operate in its current capacity.

The continuation of the Company is due to be considered by shareholders at the upcoming annual general meeting. The Board supports the continuation of the Company and expects that it will continue to exist for the foreseeable future as it offers investors a unique exposure to European small and medium sized companies. However, if such a vote were not passed the directors would follow the provisions in the Articles of Association relating to the winding up of the Company's assets.

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

## Future developments

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

# Strategic Report: Business model (continued)

## Our approach to ESG

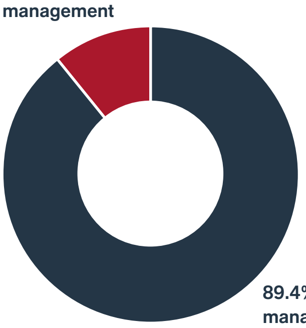
### Responsible ownership and the Stewardship Code

Responsible investment is the term used to cover the Manager's work on environmental, social and corporate governance ("ESG") issues in the Company's investee companies. Janus Henderson supports the UK Stewardship Code, and seeks to protect and enhance value for clients through active management, integration of ESG factors into investment decision making, voting and company engagement.

The Board believes that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. We have delegated responsibility to the Manager for voting the rights attached to the shares held in the Company's portfolio. Janus Henderson actively votes at shareholder meetings and engages with companies as part of the voting process. The Board retains oversight by reviewing a report at each meeting on how the Company's shares have been voted and, at least annually, reviewing the Manager's Responsible Investment Policy (the "RI Policy"), which sets out the Manager's approach to corporate governance, corporate responsibility and Janus Henderson's compliance with the UK Stewardship Code. The RI Policy can be found on the Manager's website at **www.janushenderson.com**.

Voting decisions are guided by the best interests of the investee companies' shareholders and made in consultation with the Fund Manager, who has an in-depth understanding of the respective company's operations. Voting decisions are taken in keeping with the provisions of the RI Policy, which is made publicly available so investee companies have the ability to make themselves aware of our expectations in this respect.

In the period under review, investee companies held 141 general meetings. The level of governance in the developed markets in Europe is generally of a high standard in terms of best practice which meant support in favour of many of the resolutions proposed by management was warranted. However, in respect of 10.6% of the resolutions proposed, support was not warranted and, following discussion between the Fund Manager and the Manager's governance team, the shares were voted against the passing of the resolution.




In terms of the resolutions not supported, these covered four predominant themes relating to the election (or re-election) of insufficiently independent directors, the undue dilution of shareholders' interests in the investee company, executive remuneration and transactions with related parties.

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

**The environment**

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

**Business ethics**

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

## Communicating with our shareholders

The Board is committed to maintaining open channels of communication with shareholders in a manner which they find most meaningful. Unlike trading companies, we appreciate that this often takes the form of meeting with the Fund Manager rather than members of the Board. Shareholders are able to meet with the Fund Manager throughout the year and the Manager provides information on the Company and videos of the Fund Manager on the Company's website, via various social medial channels and through its HGi platform. Feedback from all meetings between the Fund Manager and shareholders is reported to the Board. The Chairman, Audit Committee Chairman and other members of the Board are available to meet with shareholders where they wish to do so.

The annual report and half-year results are circulated to shareholders wishing to receive them and made available on the Company's website. These provide shareholders with a clear understanding of the Company's portfolio and financial position. This information is supplemented by the daily calculation and publication of the NAV per share and a monthly fact sheet which is available on the website. The Fund Manager provides presentations to shareholders and analysts following the publication of the annual financial results.

The Fund Manager attends the annual general meeting and provides a presentation on the Company's performance. We encourage shareholders to attend and participate in the annual general meeting, which is available to watch live by visiting **www.janushenderson.com/trustslive**.

In the event shareholders wish to raise issues or concerns with the directors, they are welcome to do so at any time by writing to the Chairman at the registered office. Given the size of the Board, a senior independent director has not been appointed. However, the Chairman of the Audit Committee is available to shareholders if they have concerns that have not been addressed through the normal channels.

# Strategic Report: Business Model (continued)

## Board diversity

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

The directors bring a range of knowledge and experience covering global and European investment markets, banking and accounting and auditing expertise to discussions regarding the Company's business. In terms of diversity, at the date of this report, the Board comprises two female and four male directors, and three of the Company's directors are based in Europe, enabling the Board to remain in touch with sentiment on the Continent.

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

For and on behalf of the Board

Christopher Casey
Director
2 October 2019

# Strategic Report: Glossary

## Alternative Investment Fund Managers Directive ("AIFMD")

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

## Alternative Performance Measures

A glossary of alternative performance measures can be found on pages 61 and 62.

## Association of Investment Companies ("AIC")

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

## Benchmark

An index against which performance is compared. For the Company this is the Euromoney Smaller European Companies ex UK Index on a total return basis in Sterling terms.

## Custodian

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

## Depositary

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

## Derivative

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

## Dividend dates

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

## Investment trusts

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

## Liquidity

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

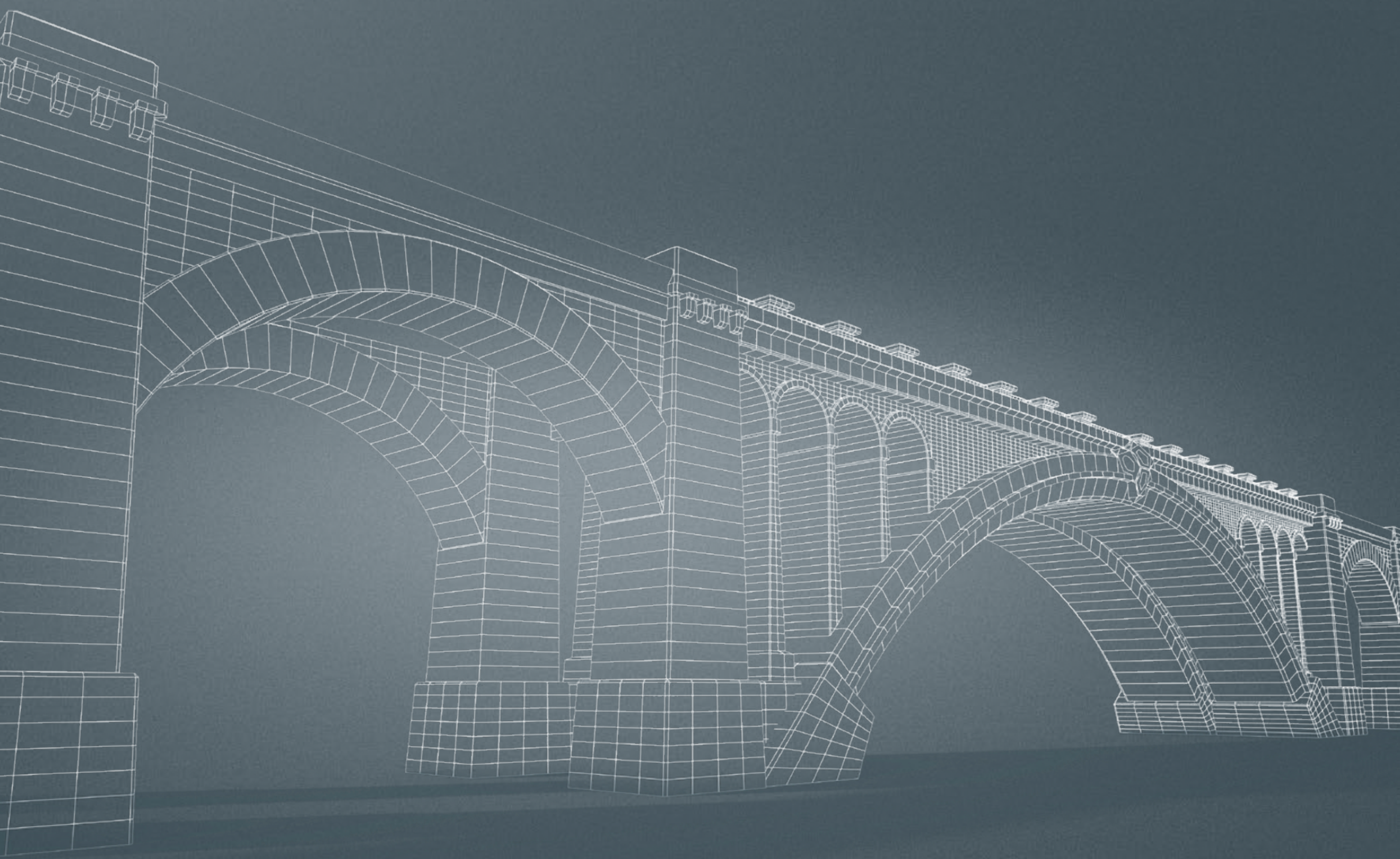
## Market capitalisation ("market cap")

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

## 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 Limited, 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".

# Corporate Report



# Directors' Report

The directors present their report and the audited financial statements of the Group for the year ended 30 June 2019.

The Corporate Governance Statement, Audit Committee Report, the Investment Portfolio and Shareholder Information on pages 23 to 28 and 58 to 63 form part of the Directors' Report.

## Share capital

As at 30 June 2019 the Company's paid up share capital consisted of 50,108,397 ordinary shares of 12.5p each. The voting rights at that date were 25,054,198, as shareholders have one vote for every two shares held.

At the annual general meeting held on 19 November 2018, shareholders authorised the directors to allot up to 2,505,420 new ordinary shares. In the financial year to 30 June 2019 and up to the date of this report, no shares have been issued.

Shareholders further authorised directors to repurchase up to 7,511,248 ordinary shares where the Company's shares were trading at a discount to the net asset value. No shares have been repurchased in the year to 30 June 2019 or to the date of this report.

These authorities to allot and repurchase shares will expire at the earlier of 15 months from the date of the passing of the resolution or the next annual general meeting. Directors will be seeking to renew the authority to allot and repurchase shares at the upcoming annual general meeting.

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

## Holdings in the Company's shares

Declarations of interests in the voting rights of the Company as at 30 June 2019 in accordance with the Disclosure Guidance and Transparency Rules were as follows:

| | % of voting rights |
|---|---|
| Investec Wealth & Management Limited | 7.9 |
| Lazard Asset Management LLC | 7.0 |

On 8 July 2019 Wells Capital Management notified the Company that it had acquired 5.1% of the issued share capital. On 7 August 2019 City of London Investment Management Company Limited notified the Company that it had acquired 5.0% of the issued share capital. No further notifications have been received to the date of this report.

## Related party transactions

The Company's transactions with related parties in the year were with the directors, the subsidiary and the Manager, Janus Henderson. There have been no material transactions between the Company and its directors during the year. The only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable at the year end.

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

In relation to the provision of services by the Manager, other than fees payable by the Company in the ordinary course of business, which included marketing activities, there have been no material transactions affecting the financial position of the Company during the year under review. More details on transactions with the Manager, including amounts outstanding at the year end, are given in note 21 on page 56.

## Annual General Meeting

The 2019 Annual General Meeting will be held on Monday 25 November 2019 at 12.30 pm at the Company's registered office. The Notice of Meeting and the details of the resolutions to be put to shareholders are contained in the separate document enclosed with this report.

Shareholders with shares held in their own names will receive a Form of Proxy enabling them to vote if they are unable to attend the annual general meeting. Shareholders holding shares on other share dealing platforms should contact their platform directly to vote their shares for the upcoming annual general meeting.

## Duration of the Company

The Company's Articles of Association require that at every third annual general meeting an ordinary resolution be put to shareholders requesting them to approve the continuation of the Company. As the last vote was put to shareholders in 2016, a resolution to this effect will be proposed at the upcoming annual general meeting. The directors support the continuation of the Company and recommend that shareholders do the same.

## Directors' statement as to disclosure of information to auditor

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

## Requirement of the Listing Rules

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the annual report or a cross reference table indicating where the information is set out. There are no further disclosures to be made in this regard.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
2 October 2019

# Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards ("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 the going concern basis unless it is inappropriate to presume that the Parent Company and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the International Accounting Standards Regulation. They are also responsible for safeguarding the assets of the Parent Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors consider that the annual report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group and Parent Company's position and performance, business model and strategy.

## Directors' responsibility statements

Each of the directors, listed on page 11, confirms that, to the best of his or her knowledge:

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

For and on behalf of the Board

Christopher Casey
Director
2 October 2019

The financial statements are published on **www.treuropeangrowthtrust.com** which is a website maintained by Janus Henderson. The maintenance and integrity of the website is the responsibility of the Manager. The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the annual report since it was initially presented on the website.

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

# Directors' Remuneration Report

## Remuneration Policy

The Remuneration Policy (the "Policy") sets out the principles applied in the remuneration of the Company's directors. The Policy has been in place since 1 July 2013 and was last approved by shareholders at the annual general meeting on 27 November 2017. Their approval will be sought once more at the 2020 meeting.

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

- reflect the time spent by them on the Company's affairs;
- reflect the responsibilities borne by them as directors;
- be sufficient to promote the long term success of the Company; and
- not exceed the aggregate limit established by the Articles of Association (currently £200,000 per annum). Directors will be asking shareholders at the upcoming annual general meeting to approve an increase in the limit to £250,000 by way of an amendment to the Articles. The revised limit will enable the Board to appropriately time the appointment and resignation of directors while ensuring the Board as a whole retains its in-depth knowledge of past performance and decisions.

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

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

The Board may amend the levels of remuneration paid to individual directors within the parameters of the Policy. The Policy, irrespective of changes, should be put to shareholders at intervals of not more than three years.

### Shareholders' views

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

### Letters of Appointment

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

### Recruitment principles

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

## Annual Report on Remuneration

The Directors' Remuneration Report (the "Report") is prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the "Regulations"). A resolution to approve this Report will be put to shareholders at the annual general meeting to be held on 25 November 2019.

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

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

### Statement from the Chairman

As the Company has no employees and the Board is comprised entirely of non-executive directors, the Board has not established a separate Remuneration Committee. Directors' remuneration is determined by the Board as a whole within the aggregate limit approved by shareholders, currently £200,000 per annum.

Directors' fees for the year under review were £33,000 for the Chairman, £30,000 for the Chairman of the Audit Committee and £26,000 for the remaining directors. With effect from 1 July 2019, the fees were increased to £38,000 per annum for the Chairman, £34,000 for the Chairman of the Audit Committee and £30,000 for directors. The changes were made following a detailed review of the fees paid to directors in the closed ended sector and discussions with the Manager. Fees, except for those paid to the Chairman, were last increased on 1 July 2017. The Chairman's fee was last increased on 1 July 2016.

### Directors' interests in shares (audited)

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

| | Ordinary shares of 12.5p 30 June 2019 | Ordinary shares of 12.5p 1 July 2018 |
|---|---|---|
| Audley Twiston-Davies | 12,500 | 12,500 |
| Christopher Casey | 6,000 | 6,000 |
| Simona Heidempergher | 1,600 | 1,600 |
| Andrew Martin Smith | 10,000 | 10,000 |
| Alexander Mettenheimer | 800 | – |

In the period since the year end to the date of this report Mr Mettenheimer increased his holding to a total of 1,300 shares.

# Directors' Remuneration Report (continued)

**Relative importance of spend on pay**
In order to show the relative importance of spend on pay, the table opposite sets out the total level of remuneration compared to the distributions paid to shareholders by way of dividends. There were no 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.

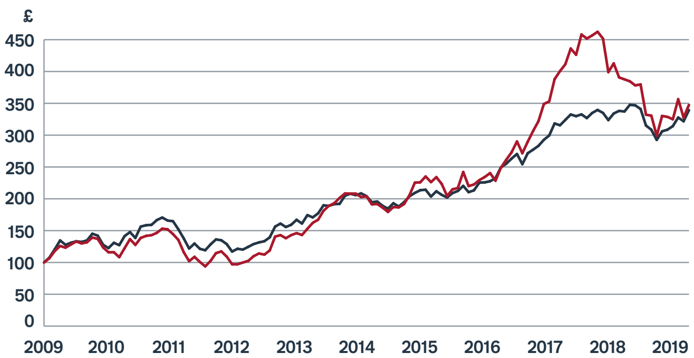
| | 2019 £ | 2018 £ | Change £ |
|---|---|---|---|
| Total remuneration | 144,062 | 145,103 | (1,041) |
| Ordinary dividend paid during the year | 10,773,305 | 9,766,787 | 1,006,518 |

**Directors' remuneration (audited)**
The remuneration paid to the directors who served during the years ended 30 June 2019 and 30 June 2018 was as follows:

| | Year ended 30 June 2019 Total salary and fees £ | Year ended 30 June 2019 Total expenses and taxable benefits £ | Year ended 30 June 2019 Total £ | Year ended 30 June 2018 Total salary and fees £ | Year ended 30 June 2018 Total expenses and taxable benefits £ | Year ended 30 June 2018 Total £ |
|---|---|---|---|---|---|---|
| Audley Twiston-Davies[1] | 33,000 | – | 33,000 | 33,000 | – | 33,000 |
| Christopher Casey[2] | 30,000 | – | 30,000 | 30,000 | – | 30,000 |
| Simona Heidempergher | 26,000 | 733 | 26,733 | 26,000 | 610 | 26,610 |
| Andrew Martin Smith | 26,000 | 35 | 26,035 | 26,000 | – | 26,000 |
| Alexander Mettenheimer | 26,000 | 2,294 | 28,294 | 26,000 | 3,493 | 29,493 |
| **Total** | **141,000** | **3,062** | **144,062** | **141,000** | **4,103** | **145,103** |

**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

**Performance**
The graph compares the Company's share price total return over the ten year period ended 30 June 2019 with the return from the Euromoney Smaller European Companies ex UK Index expressed in Sterling, the Company's benchmark, over the same period.




Company's share price total return, assuming the investment of £100 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 £100 on 30 June 2009 and the reinvestment of all income (excluding dealing expenses) (Source: Datastream)

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

An ordinary resolution adopting the Annual Report on Remuneration was approved at the annual general meeting held on 19 November 2018. The votes cast by proxy in favour of the resolution were 6,109,025 (96.8%), votes cast against the resolution were 193,915 (3.1%) and 4,563 (0.1%) were placed at the discretion of the chairman of the meeting to vote. A total of 18,211 votes were withheld.

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

For and on behalf of the Board

Christopher Casey
Director
2 October 2019

# Corporate Governance Statement

## Applicable governance codes

The Company maintains a premium listing on the London Stock Exchange and is therefore required to report on how the principles of the UK Corporate Governance Code (the "UK Code") have been applied. Being an investment company, a number of the provisions of the UK Code are not applicable as the Company has no executive directors or internal operations. The Board has therefore considered the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies in July 2016 (the "AIC Code"). The AIC Code addresses the principles set out in the UK Code as well as additional principles and recommendations on issues that are of specific relevance to investment companies. The Financial Reporting Council ("FRC") has endorsed the AIC Code and confirmed that, by following it, the boards of investment companies should fully meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

The FRC published an updated UK Code in July 2018, which was followed by the publication of an updated AIC Code in February 2019. The 2019 AIC Code continues to be endorsed by the FRC and is applicable to financial reporting periods commencing on or after 1 January 2019.

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

## Statement of compliance

The Board has considered the principles and provisions of the AIC Code, which address those set out in the UK Code, as well as additional provisions that are of specific relevance to investment companies. The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to the Company's shareholders in terms of its governance arrangements.

The Company has complied with the principles and provisions of the AIC Code throughout the period. The Company has no chief executive or other executive directors and therefore has no need to consider the remuneration of executive directors. In addition, the Company does not have any internal operations and therefore does not maintain an internal audit function. However, the Audit Committee considers the need for such a function at least annually (see page 25 for further information).

## The Board

At the date of this report, the Board comprises six non-executive directors. Biographies for each director are set out on page 11.

**Responsibilities of the Board**
The Board is responsible for providing leadership, setting the investment objective of the Company, establishing an appropriately robust internal control framework enabling effective risk management and monitoring the performance delivered by the Company's third-party service providers in meeting the objective within the control framework.

The Board 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 other employees of the Manager in connection with the delivery of company secretarial, sales, marketing and other administrative services.

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

Each meeting follows an agenda agreed with the Chairman and includes a review of the Company's investment performance, financial position, compliance with the investment parameters, reporting from the depositary, a review of shareholder movements along with any sales or marketing activities undertaken and any other relevant business matters in order to ensure that control is maintained over the Company's affairs.

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

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

# Corporate Governance Statement (continued)

## Directors

### Appointment, tenure and retirement

The Board may appoint directors to the Board at any time during the year. Any director so appointed should stand for election by shareholders at the next annual general meeting in accordance with the provisions of the Company's Articles of Association.

Directors are generally expected to serve two terms of three years, which may be extended to a third term at the discretion of the Board and subject to satisfactory performance evaluation and annual re-election by shareholders.

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

### Chairman's tenure

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

### Independence

The independence of the directors is determined with reference to the AIC Code and is reviewed by the Nomination Committee at least annually.

The Committee considers each of the directors other appointments and commitments, as well as their tenure of service and any connections they may have with the Manager.

Following conclusion of the evaluation in July 2019, the Committee concluded that all directors in office at the time continued to be independent in character and judgement. The independence of the newly appointed directors was considered on appointment.

### Induction and ongoing training

Newly appointed directors are offered a bespoke induction programme which covers the legal and regulatory framework for investment companies and the operations of the Manager, including the compliance and risk management frameworks, accounting, sales and marketing, and other administrative services carried out by the Manager.

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

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

### Directors' insurance and indemnification

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

### Directors' conflicts of interest

The Articles permit the Board to consider and, if it sees fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Company ("situational conflicts"). The Board has a formal system in place for directors to declare situational conflicts to be considered for authorisation by those directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted directors must act honestly and in good faith with a view to the best interests of the Company. The directors may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate.

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

## Meetings

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

| | Board | AC | MEC | NC | AGM |
|---|---|---|---|---|---|
| **Number of meetings** | **5** | **3** | **1** | **1** | **1** |
| Audley Twiston-Davies | 5 | 3 | 1 | 1 | 1 |
| Christopher Casey | 5 | 3 | 1 | 1 | 1 |
| Simona Heidempergher | 5 | 3 | 1 | 1 | 1 |
| Andrew Martin Smith | 5 | 3 | 1 | 1 | 1 |
| Alexander Mettenheimer | 5 | 3 | 1 | 1 | 1 |

## Performance evaluation

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

# Corporate Governance Statement (continued)

The Chairman of the Audit Committee undertook a performance evaluation of the Chairman, taking feedback from all directors. The review of the Chairman's performance concluded that he continued to display effective leadership.

## Internal controls

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness.

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

The key components of the internal control framework include:

- clearly defined investment criteria, specifying levels of authority and exposure limits. The Board reviews reports on investment performance against and compliance with the criteria at each meeting.

- regular financial reporting which allows the Board to assess the Company's financial position. The management accounts and forecasts are reviewed by the Board at each meeting.

- contractual agreements with the Manager and all other third-party service providers. The Board reviews performance levels and adherence to relevant provisions in the agreements on a regular basis through reporting to the Board and conducts a formal evaluation of the overall level of service provided at least annually.

- the review of controls at the Manager and other third-party service providers. The Board receives quarterly reporting from the Manager and depositary, and reviews annual assurance reports on the effectiveness of the control environments at the Company's key service providers.

- review of additional reporting provided by:
  - the Manager's Enterprise Risk team on the control environment in operation at the Manager and their view of the control environments in place at the third-party service providers used by the Company.
  - the Manager's Internal Audit team on areas of operation which are relevant to the Company.

The Board has reviewed the effectiveness of the Group's system of internal controls for the year ended 30 June 2019. During the course of its review the Board has not identified or been advised of any failings or weaknesses that have been determined as significant.

## Internal audit function

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

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

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

## Committees of the Board

The Board has three principal committees: the Audit Committee, the Management Engagement Committee and the Nomination Committee. The terms of reference for these committees are available on the website **www.treuropeangrowthtrust.com**. The Board has also constituted an Insider Committee which meets when required to assist the Board in discharging its responsibilities under the Market Abuse Regulations.

**Audit Committee**
The Audit Committee Report can be found on pages 27 and 28.

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

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

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

- the composition of the Board and each of its committees, taking account of the skills, experience and knowledge of each director and whether the diversity of these continued to contribute to the success of the Company;

- the outcomes of the Board performance evaluation with a view as to whether adjustments should be made to the number of directors or knowledge and skills represented on the Board;

- the tenure of each of the directors, giving consideration as to whether the Board retained a sufficient balance of length of service without becoming complacent;

# Corporate Governance Statement (continued)

- the independence of the directors taking account of the guidelines established by the UK Code and AIC Code as well as the directors' other commitments;
- the time commitment of the directors and whether this had been sufficient over the course of the year;
- succession planning for appointments to the Board taking account of the provisions of the Articles regarding the retirement and rotation of directors, the tenure of the current directors and recommendations of the AIC Code; and
- the performance and contribution of the directors standing for re-election and those standing for election for the first time at the 2019 Annual General Meeting.

Following completion of its reviews, the Committee concluded that the Board continued to operate effectively and that each director continued to commit the time required to fulfil their duties to the Company.

Taking account of the performance of individual directors, the Committee recommended to the Board that it should support the re-appointment of all directors at the 2019 Annual General Meeting. As part of the process in appointing the new directors to the Board, consideration was given to the skills, experience and diversity which they could bring to the discussions on the Company's business. At the time of their appointment, the Committee therefore recommended to the Board that support for the election of Ann Grevelius and Dan Burgess was warranted.

**Appointment of directors**
As part of the Board's usual refreshment, the search for two new directors was commenced during the year. The Committee took account of the intention of Audley Twiston-Davies and Andrew Martin Smith to retire and considered the skills that they wished to retain on the Board. Role descriptions were prepared for the recruitment of two non-executive directors. The directors determined that any new director should bring strong investment management experience to the Board, as this element of the collective skills on the Board would be lost on Audley's departure. As Christopher Casey would succeed Audley as Chairman of the Board in due course, the search for the second director should focus on audit and accounting expertise.

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

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

Following conclusion of the overall process the Committee was pleased to recommend the appointment of Ann Grevelius and Dan Burgess to the Board. Ann's appointment was announced on 23 September and Dan's on 2 October 2019. His appointment will be effective from 25 November 2019.

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

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

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

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

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

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
2 October 2019

# Audit Committee Report

**The Chairman of the Audit Committee, Christopher Casey, reports on the year to 30 June 2019**

## Role

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

All directors with the exception of the Chairman of the Board are members of the Committee. The Chairman of the Board resigned his membership on 25 February 2019.

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

## Responsibilities

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

- the Company's annual report and half-year financial statements, the appropriateness of the accounting policies applied and the use of the going concern basis for preparation;
- the assessment of the principal risks facing the Company and the long-term viability statement in light of these risks;
- the areas of judgement in the financial statements and the performance fee calculation;
- the overall approach to paying dividends and the appropriate level of dividend to be paid in respect of the year ended 30 June 2019;
- the appointment and evaluation of the effectiveness and objectivity of the auditor, and determining their remuneration;
- agreeing the nature and scope of the statutory audit and reviewing the auditor's findings;
- monitoring and evaluating the effectiveness of the Company's system of internal controls, and assessing the need for a separate internal audit function;
- the policy on the provision of non-audit services by the auditor; and
- the whistleblowing arrangements in place at the Manager enabling staff to raise concerns about possible improprieties in confidence.

## Meetings

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

## Effectiveness of the external audit

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

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

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

# Audit Committee Report (continued)

## Significant issues

In relation to the annual report for the year ended 30 June 2019 the following significant issues were considered by the Committee:

| Significant issue | How the Committee addressed the issue |
|---|---|
| **Valuation and ownership of the Group's investments** | Actively traded investments are valued using stock exchange prices provided by third-party pricing vendors. The Committee specifically considers the investments that are unquoted or not actively traded, which are valued using a variety of techniques to determine their fair value. These valuations are reviewed by the Manager's EMEA Pricing Committee. Ownership of listed investments is verified by reconciliation to the custodian's records and for unquoted investments, via reconciliation to the records of the investee entities. |
| **Calculation of the performance fee** | The Committee reviews the calculation of the performance fee to ensure consistency with the Management Agreement and with the application of the methodology used in prior years. |
| **Internal Control environment** | The Committee carries out the annual assessment of the effectiveness of the Company's internal control and risk management systems by reviewing the framework and summary of the reporting received throughout the course of the financial year.<br><br>The annual assurance reports for two of the Company's third-party service providers were qualified by the respective service auditor. The Committee sought assurance that remedial action had been taken or a plan to address the issues was in place. |
| **Recognition of income** | Income received is accounted for in line with the Company's accounting policies. The Committee considers whether the capital/income allocation remains appropriate and considers the treatment of any special dividends received during the course of the year. |
| **Compliance with s.1158 of the Corporation Tax Act 2010** | The Committee reviews the Manager's procedures for ensuring compliance with relevant regulations for ensuring the Company maintains its investment trust status and regularly seeks confirmation of compliance with the relevant regulations. |

## Appointment and tenure of the auditor

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

## Auditor's independence

The Committee monitors the auditor's independence through three aspects of its work; the approval of a policy regulating the non-audit services that may be provided by the auditor to the Company, assessing the appropriateness of the fees paid to the auditors and by reviewing the information and assurances provided by the auditors on their compliance with the relevant ethical standards. EY have confirmed that all of its partners and staff involved with the audit were independent of any links to the Company, and that these individuals had complied with their ethics and independence policies and procedures which are fully consistent with the FRC's Ethical Standards.

## Policy on the provision of non-audit services

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

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

For and on behalf of the Board

Christopher Casey
Chairman of the Audit Committee
2 October 2019

# Independent Auditor's Report

## Opinion

In our opinion:

- TR European Growth Trust PLC's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with 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 as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

| Group | Parent Company |
|---|---|
| Consolidated balance sheet as at 30 June 2019 | Balance sheet as at 30 June 2019 |
| Consolidated statement of comprehensive income for the year then ended | Statement of Changes in Equity for the year then ended |
| Consolidated statement of changes in equity for the year then ended | Statement of cash flows for the year then ended |
| Consolidated statement of cash flows for the year then ended | Related to notes 1 – 22 to the financial statements, including a summary of the significant accounting policies. |
| Related notes 1 to 22 to the financial statements, including a summary of significant accounting policies | |

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (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.

## Basis for opinion

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

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

## Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report set out on page 14 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 14 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 39 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 14 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

## Overview of our audit approach

| | |
|---|---|
| Key audit matters | • Incomplete or inaccurate revenue recognition, including classification as revenue or capital items in the Statement of Comprehensive Income.<br>• Incorrect valuation and defective title of the investment portfolio.<br>• Incorrect calculation of the performance fee. |
| Audit scope | • We performed an audit of the consolidated financial statements of TR European Growth Trust PLC in accordance with applicable law and International Standards on Auditing (UK).<br>• We performed an audit of the complete financial information of the subsidiary, TREG Finance Limited. |
| Materiality | • Overall Group materiality of £5.21m which represents 1% of net assets. |

# Independent Auditor's Report (continued)

## Key audit matters

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

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Incomplete or inaccurate revenue recognition, including classification as revenue or capital items in the Statement of Comprehensive Income (2019: £14.7m and 2018: £13.7m)**<br><br>*Refer to the Audit Committee Report (page 28); accounting policies (page 39); and note 2 of the consolidated financial statements*<br><br>The investment income receivable by the Company during the year directly affects the Company's ability to make a dividend payment to shareholders. The income received for the year to 30 June 2019 was £14.7m (2018: £13.7m), with the majority being dividend receipts from listed investments.<br><br>Special dividends represent dividends paid by investee companies that are additional to the normal or expected dividend cycle for that company. In accordance with the AIC SORP, special dividends can be included within either the revenue or capital columns of the Statement of Comprehensive Income, depending on the commercial circumstances behind the payments. The directors are required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as "revenue" or "capital". There were £2.4m in total of special dividends received or accrued during the year, all classified as revenue within the Statement of Comprehensive Income.<br><br>Specifically, in relation to our procedures on management override, we consider the risk that inappropriate journal entries are applied to the income account resulting in a manipulation of the Company's revenue to support performance and dividend targets. | **We have performed the following procedures:**<br><br>We obtained an understanding of the Manager's and Administrator's processes and controls surrounding revenue recognition and allocation of special dividends by performing a walkthrough in which we evaluated the design and implementation of controls.<br><br>We agreed a sample of dividend receipts to the corresponding announcement made by the investee company, recalculated the dividend amount receivable and confirmed that the cash received as shown on bank statements was consistent with the recalculated amount.<br><br>We agreed a sample of investee company dividend announcements from an independent data vendor to the income recorded by the Company to test completeness of the income recorded.<br><br>For all dividends accrued at the year-end, we reviewed the investee company announcements to assess whether the dividend obligation arose prior to 30 June 2019. We agreed the dividend rate to corresponding announcements made by the investee company, recalculated the dividend amount receivable and confirmed this was consistent with cash received as shown on post year-end bank statements, where paid.<br><br>We reviewed the income report and the acquisition and disposal report produced by the Administrator to identify special dividends recorded in the year in excess of our testing threshold. The Group received three special dividends above our revenue testing threshold which we have tested, representing £2.1m in total. These special dividends were classified as revenue. We reviewed the underlying circumstances to evaluate and corroborate the basis of allocation.<br><br>To test for the risk of management override, we tested a sample of manual journal entries posted to the income account which included corroborating their business purpose. | **The results of our procedures are:**<br><br>We have no matters to bring to the attention of the Audit Committee with respect to our procedures performed over the risk of incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Statement of Comprehensive Income. |

# Independent Auditor's Report (continued)

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Incorrect valuation of the investments and defective title of the investment portfolio**<br>*Refer to the Audit Committee Report (page 28); accounting policies (page 39); and note 9 of the consolidated financial statements*<br>The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect asset pricing, including the judgment involved in the valuation of unlisted (level 3) investments, or a failure to maintain proper legal title of the assets held by the Company, could have a significant impact on the portfolio valuation and the return generated for shareholders.<br>The valuation of the Level 1 portfolio at 30 June 2019 was £580.3m (2018: £607.4m) consisting of listed equities.<br>The Company also held Level 3 securities with an aggregate value of £0.1m (2018: £18.6m).<br>Listed investments are valued at fair value, which is deemed to be bid value or the last traded price depending on the convention of the exchange on which the investment is listed.<br>Unlisted investments are valued at fair value by the directors following a detailed review and appropriate challenge of the valuations proposed by the Manager. | **We have performed the following procedures:**<br>We obtained an understanding of the Manager's and Administrator's processes and controls surrounding investment pricing and trade processing by performing walkthrough procedures and inspecting internal control reports.<br>For all listed investments in the portfolio, we compared the market values and exchange rates applied to an independent pricing vendor.<br>For Level 3 securities, we assessed the appropriateness of the data inputs and assumptions used to support the valuations.<br>We agreed the Company's investments to the independent confirmations received from the Company's custodian and depositary as at 30 June 2019.<br>We agreed a sample of key transaction details (e.g. units, trade date, cost and proceeds) of purchases and sales recorded by the Administrator to bank statements. | **The results of our procedures are:**<br>We have no matters to bring to the attention of the Audit Committee with respect to our procedures performed over the risk of incorrect valuation or defective title to the investment portfolio. |
| **Incorrect calculation of the performance fee**<br>*Refer to the Audit Committee Report (page 28) and note 3 of the consolidated financial statements (page 42)*<br>No performance fee is payable for the year (2018: £1.3m). We focused on this area because the performance fee forms a significant portion of the Manager's contractual remuneration and is calculated based on relative outperformance methodology as set out in the Management Agreement between the Group and the Manager. | **We have performed the following procedures:**<br>We obtained an understanding of the Manager's and Administrator's processes and controls surrounding investment pricing and trade processing by performing walkthrough procedures and inspecting internal control reports.<br>We independently recalculated the performance fee using the methodology set out in the Management Agreement and agreed the inputs to the calculation, including the benchmark data, to independent third-party sources, where applicable. | **The results of our procedures are:**<br>We have no matters to bring to the attention of the Audit Committee with respect to our procedures performed over the risk of incorrect calculation of the performance fee. |

## An overview of the scope of our audit

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls and changes in the business environment when assessing the level of work to be performed at each entity.

## Our application of materiality

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

### Materiality

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

We determined materiality for the Group to be £5.2m (2018: £5.8m), which is 1% (2018: 1%) of net assets. We believe that net assets provide us with the most appropriate metric that the shareholders would use to judge the performance of the Group following our first audit for the year ended 30 June 2018.

# Independent Auditor's Report (continued)

### Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2018: 50%) of our planning materiality, namely £3.9m (2018: £2.9m). We have set performance materiality at this percentage due to the fact that there is no history of misstatements in previous audits of the Group.

Given the importance of the distinction between revenue and capital for the Group, we have also applied a separate testing threshold of £0.7m for the revenue column of the Group's Statement of Comprehensive Income, being 5% of the return on profit before tax.

### Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.3m (2018: £0.3m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

## Other information

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

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

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

We have nothing to report in this regard.

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

- **Fair, balanced and understandable** (page 20) – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting** (pages 27 and 28) – the section describing the work of the audit committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** (page 23) – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

### Opinions on other matters prescribed by the Companies Act 2006

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

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

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

### Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

# Independent Auditor's Report (continued)

## Responsibilities of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

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

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

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are IFRS, the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code, the Association of Investment Companies Statement of Recommended Practice 2017 and s.1158 of the Corporation Tax Act 2010.
- We understood how the Group is complying with those frameworks by through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to incomplete or inaccurate income recognition through incorrect allocation of special dividends. Further discussion of our approach is set out in the section on the key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.
- We have reviewed that the Group's control environment is adequate for the size and operating model of such a listed investment company.

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

## Other matters we are required to address

- We were appointed by the Company in 2017 to audit the financial statements for the year ended 30 June 2018 and subsequent financial periods.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

## Use of our report

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

Matthew Price (Senior statutory auditor)
for and on behalf of Ernst & Young LLP
London
2 October 2019

**Notes:**

1. The maintenance and integrity of the TR European Growth Trust PLC web site is the responsibility of the directors; 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 web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Consolidated Statement of Comprehensive Income

| Note | | Year ended 30 June 2019 Revenue return £'000 | Year ended 30 June 2019 Capital return £'000 | Year ended 30 June 2019 Total return £'000 | Year ended 30 June 2018 Revenue return £'000 | Year ended 30 June 2018 Capital return £'000 | Year ended 30 June 2018 Total return £'000 |
|---|---|---|---|---|---|---|---|
| 2 | Investment income | 14,657 | – | 14,657 | 13,669 | – | 13,669 |
| 2 | Other income | 1 | – | 1 | – | – | – |
| 9 | (Losses)/gains on investments held at fair value through profit or loss | – | (51,954) | (51,954) | – | 3,694 | 3,694 |
| | **Total income/(expense)** | **14,658** | **(51,954)** | **(37,296)** | **13,669** | **3,694** | **17,363** |
| | **Expenses** | | | | | | |
| 3 | Management and performance fee | (600) | (2,399) | (2,999) | (701) | (4,103) | (4,804) |
| 4 | Other operating expenses | (653) | – | (653) | (715) | – | (715) |
| | **Profit/(loss) before finance costs and taxation** | **13,405** | **(54,353)** | **(40,948)** | **12,253** | **(409)** | **11,844** |
| 5 | Finance costs | (128) | (510) | (638) | (170) | (680) | (850) |
| | **Profit/(loss) before taxation** | **13,277** | **(54,863)** | **(41,586)** | **12,083** | **(1,089)** | **10,994** |
| 6 | Taxation | (1,209) | – | (1,209) | (1,058) | – | (1,058) |
| | **Profit/(loss) for the year and total comprehensive income** | **12,068** | **(54,863)** | **(42,795)** | **11,025** | **(1,089)** | **9,936** |
| 7 | Return per ordinary share – basic and diluted | 24.08p | (109.49p) | (85.41p) | 22.06p | (2.18p) | 19.88p |

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 notes on pages 38 to 57 form part of these financial statements.

# Consolidated and Parent Company Statements of Changes in Equity

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

| Note | | Called up share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Other capital reserves £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| | **Consolidated Year ended 30 June 2018** | | | | | | |
| | Total equity at 1 July 2017 | 6,214 | 115,451 | 13,964 | 407,102 | 26,728 | 569,459 |
| | Total comprehensive income: | | | | | | |
| | (Loss)/profit for the year | – | – | – | (1,089) | 11,025 | 9,936 |
| | Transactions with owners, recorded directly to equity: | | | | | | |
| 8 | Ordinary dividends paid | – | – | – | – | (9,767) | (9,767) |
| 15, 16 | Proceeds from issue of ordinary shares | 50 | 4,913 | – | – | – | 4,963 |
| | **Total equity at 30 June 2018** | **6,264** | **120,364** | **13,964** | **406,013** | **27,986** | **574,591** |

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

| Note | | Called up share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Other capital reserves £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| | **Company Year ended 30 June 2018** | | | | | | |
| | Total equity at 1 July 2017 | 6,214 | 115,451 | 13,964 | 408,143 | 25,687 | 569,459 |
| | Total comprehensive income: | | | | | | |
| | (Loss)/profit for the year | – | – | – | (1,090) | 11,026 | 9,936 |
| | Transactions with owners, recorded directly to equity: | | | | | | |
| 8 | Ordinary dividends paid | – | – | – | – | (9,767) | (9,767) |
| 15, 16 | Proceeds from issue of ordinary shares | 50 | 4,913 | – | – | – | 4,963 |
| | **Total equity at 30 June 2018** | **6,264** | **120,364** | **13,964** | **407,053** | **26,946** | **574,591** |

The notes on pages 38 to 57 form part of these financial statements.

# Consolidated and Parent Company Balance Sheets

| Note | | At 30 June 2019 Consolidated £'000 | At 30 June 2018 Consolidated £'000 | At 30 June 2019 Company £'000 | At 30 June 2018 Company £'000 |
|---|---|---|---|---|---|
| | **Non current assets** | | | | |
| 9 | Investments held at fair value through profit or loss | 580,396 | 626,057 | 581,365 | 627,028 |
| | **Current assets** | | | | |
| 12 | Receivables | 4,625 | 2,170 | 4,625 | 2,170 |
| | Cash and cash equivalents | 3 | 121 | – | 118 |
| | | **4,628** | **2,291** | **4,625** | **2,288** |
| | **Total assets** | **585,024** | **628,348** | **585,990** | **629,316** |
| | **Current liabilities** | | | | |
| 13 | Payables | (6,721) | (7,627) | (7,687) | (8,595) |
| | Bank overdrafts | (57,280) | (46,130) | (57,280) | (46,130) |
| | | **(64,001)** | **(53,757)** | **(64,967)** | **(54,725)** |
| | **Net assets** | **521,023** | **574,591** | **521,023** | **574,591** |
| | **Equity attributable to equity shareholders of the parent company** | | | | |
| 15 | Called up share capital | 6,264 | 6,264 | 6,264 | 6,264 |
| 16 | Share premium account | 120,364 | 120,364 | 120,364 | 120,364 |
| 17 | Capital redemption reserve | 13,964 | 13,964 | 13,964 | 13,964 |
| | Retained earnings: | | | | |
| 17 | Other capital reserves | 351,150 | 406,013 | 352,188 | 407,053 |
| 18 | Revenue reserve | 29,281 | 27,986 | 28,243 | 26,946 |
| **19** | **Total equity** | **521,023** | **574,591** | **521,023** | **574,591** |
| 19 | Net asset value per ordinary share – basic and diluted | 1,039.79p | 1,146.70p | 1,039.79p | 1,146.70p |

The financial statements on pages 34 to 57 were approved and authorised for issue by the Board on 2 October 2019 and signed on its behalf by:

Christopher Casey
Director

The notes on pages 38 to 57 form part of these financial statements.

# Consolidated and Parent Company Cash Flow Statements

| | Year ended 30 June 2019 | | Year ended 30 June 2018 | |
|---|---|---|---|---|
| | Consolidated £'000 | Company £'000 | Consolidated £'000 | Company £'000 |
| **Operating activities** | | | | |
| (Loss)/profit before taxation | (41,586) | (41,586) | 10,994 | 10,994 |
| Add back: interest payable | 638 | 638 | 850 | 850 |
| Less: losses/(gains) on investments held at fair value through profit or loss | 51,954 | 51,956 | (3,694) | (3,693) |
| Sales of investments held at fair value through profit or loss | 350,500 | 350,500 | 389,344 | 389,344 |
| Purchases of investments held at fair value through profit or loss | (355,397) | (355,397) | (390,048) | (390,048) |
| Withholding tax on dividends deducted at source | (1,865) | (1,865) | (1,689) | (1,689) |
| (Increase)/decrease in prepayments and accrued income | (159) | (159) | 66 | 66 |
| (Increase)/decrease in amounts due from brokers | (1,675) | (1,675) | 1,840 | 1,840 |
| Decrease in accruals and deferred income | (1,466) | (1,468) | (2,472) | (2,473) |
| Increase in amounts due to brokers | 560 | 560 | 3,739 | 3,739 |
| **Net cash inflow from operating activities before interest and taxation[1]** | **1,504** | **1,504** | **8,930** | **8,930** |
| Interest paid | (638) | (638) | (850) | (850) |
| Taxation recovered | 35 | 35 | 266 | 266 |
| **Net cash inflow from operating activities** | **901** | **901** | **8,346** | **8,346** |
| **Financing activities** | | | | |
| Equity dividends paid | (10,773) | (10,773) | (9,767) | (9,767) |
| Issue of ordinary shares | – | – | 4,963 | 4,963 |
| Net drawdown/(repayment) of bank overdraft | 9,754 | 9,754 | (3,478) | (3,478) |
| **Net cash used in financing** | **(1,019)** | **(1,019)** | **(8,282)** | **(8,282)** |
| (Decrease)/increase in cash and cash equivalents | (118) | (118) | 64 | 64 |
| **Cash and cash equivalents at the start of the year** | 121 | 118 | 57 | 54 |
| **Cash and cash equivalents at the end of the year** | **3** | **–** | **121** | **118** |
| Comprising | | | | |
| Cash at bank | 3 | – | 121 | 118 |
| | **3** | **–** | **121** | **118** |

1 In accordance with IAS7.31 cash inflow from dividends was £13,447,000 (2018: £12,611,000) and cash inflow from interest was £1,000 (2018: nil).

The notes on pages 38 to 57 form part of these financial statements.

# Notes to the Financial Statements

## 1 Accounting policies

### a) Basis of preparation

TR European Growth Trust PLC is a Company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The consolidated and Parent Company financial statements for the year ended 30 June 2019 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 International Accounting Standards and Standing Interpretations Committee ("IFRS IC") 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 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 November 2014 and updated in February 2018 with consequential amendments 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 16. Note 14 to the financial statements includes the Group's policies and process for managing its capital; its financial risk management objectives; and details of financial instruments and exposure to credit risk and liquidity risk.

**Accounting standards**

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

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

| Standard | | Effective for annual periods beginning on or after |
|---|---|---|
| IFRS 9 | Financial Instruments | 1 January 2018 |
| IFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| IFRS 15 Amendment | Effective date of IFRS 15 | 1 January 2018 |
| IFRS 15 Amendment | Clarifications | 1 January 2018 |

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

| Standard | | Effective for annual periods beginning on or after |
|---|---|---|
| IAS 1 and 8 | Amendment to references to the conceptual framework | 1 January 2020 |
| IAS 1 and IAS 8 Amendments | Definition of Material | 1 January 2020 |
| **Interpretations** | | |
| IFRIC 23 | Uncertainty over Income Tax Treatments | 1 January 2019 |

None of these standards are expected to have any impact on the financial statements. They will be implemented in the year in which they become effective.

### b) Basis of consolidation

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

# Notes to the Financial Statements (continued)

## 1 Accounting policies (continued)

### c) Going concern

The Group's shareholders are asked every three years to vote for the continuation of the Company. An ordinary resolution to this effect was put to the annual general meeting held on 21 November 2016 and passed by a substantial majority of the shareholders. The next such resolution will be put to the shareholders at the annual general meeting in 2019. The assets of the Group consist mainly of securities that are listed and readily realisable and, accordingly, the directors believe that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Having assessed these factors, the principal risks and other matters discussed in connection with the viability statement, the Board has decided that it is appropriate for the financial statements to be prepared on a going concern basis.

### d) Investments held at fair value through profit or loss

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

Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Consolidated Statement of Comprehensive Income as "Gains or losses on investments held at fair value through profit or loss". Also included within this caption are transaction costs in relation to the purchase or sale of investments, including the difference between the purchase price of an investment and its bid price at the date of purchase.

### e) Presentation of Consolidated Statement of Comprehensive Income

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

### f) Income

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

### g) Expenses

All expenses and interest payable are accounted for on an accruals basis. On the basis of the Board's expected long-term split of total returns in the form of capital and revenue returns of 80% and 20%, respectively, the Company charges 80% of its finance costs and management fees to capital. Any performance fees payable are allocated wholly to capital, reflecting the fact that although they are calculated on a total return basis they are expected to be attributable largely, if not wholly, to capital performance. Expenses which are incidental to the purchase or sale of an investment are charged to the capital return column of the Consolidated Statement of Comprehensive Income and allocated to the other capital reserves. All other operating expenses are charged to the revenue return column of the Consolidated Statement of Comprehensive Income.

### h) Taxation

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

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

# Notes to the Financial Statements (continued)

## 1 Accounting policies (continued)

### h) Taxation (continued)

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

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

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

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

### i) Dividend policy

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

### j) Foreign currency

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

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

### k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. In the Consolidated and Parent Company Cash Flow Statements, cash and cash equivalents includes cash in hand, 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.

### l) Bank borrowings

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

### m) Receivables

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

# Notes to the Financial Statements (continued)

## 1 Accounting policies (continued)

### n) Payables

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

### o) Repurchase of ordinary shares

The costs of repurchasing ordinary shares, including related stamp duty and transaction costs, are taken directly to equity and dealt with in the Consolidated and Parent Company Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of called up share capital and into the capital redemption reserve.

### p) Capital reserves

Other Capital reserves

Capital reserve arising on investments sold

The following are accounted for in this reserve:

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

Capital reserve arising on revaluation of investments held

The following are accounted for in this reserve:

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

Revenue reserve

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

Capital redemption reserve

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

Share capital

Share capital represents the nominal value of ordinary shares issued.

Share premium

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

### q) Key estimates and assumptions

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

The result of these estimates and assumptions form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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 note 1 d. At the year end, unquoted investments represented 0.02% of net assets (2018: 3.2%). These comprise the entirety of the Group's Level 3 investments.

Under IFRS 10, the directors have assessed the Company to meet the criteria of an investment entity and that this accounting treatment reflects the Company's activities as an investment trust. Therefore any investments in subsidiaries should be carried at fair value through profit or loss in accordance with IAS 39. However, the principal activity of the subsidiary, TREG Finance Limited (which is controlled by the Company) which is not itself an investment entity, is investment dealing activities and therefore this entity is considered to provide investment related services to the Company and is required to be consolidated under the Investment Entities amendment.

# Notes to the Financial Statements (continued)

## 1 Accounting policies (continued)

### r) Operating segments

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

An analysis of investments by country has been provided on page 7. Further analyses of expenses, investment gains or losses, profit and other assets and liabilities by country have not been given as either it is not possible to prepare such information in a meaningful way or the results are not considered to be significant.

## 2 Investment income

### a) Investment income

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Overseas dividend income from listed investments | 14,657 | 13,669 |
| | **14,657** | **13,669** |

All dividend income is derived from investments in Continental Europe.

### b) Other income

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Interest received on withholding tax refund | 1 | – |
| | **1** | **–** |

## 3 Management and performance fees

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Revenue return £'000 | Capital return £'000 | Total return £'000 | Revenue return £'000 | Capital return £'000 | Total return £'000 |
| Management fee | 600 | 2,399 | 2,999 | 701 | 2,803 | 3,504 |
| Performance fee | – | – | – | – | 1,300 | 1,300 |
| **Total** | **600** | **2,399** | **2,999** | **701** | **4,103** | **4,804** |

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

## 4 Other operating expenses

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Auditor's remuneration: | | |
| • audit services relating to the Group and Parent Company | 27 | 28 |
| • audit services relating to the subsidiary undertaking | 1 | 1 |
| Directors' fees and expenses[1] | 144 | 145 |
| Other expenses payable to the management company[2] | 70 | 97 |
| Custody fees | 154 | 143 |
| Depositary charges | 43 | 65 |
| Printing | 20 | 22 |
| AIC fee | 21 | 20 |
| Irrecoverable VAT | 40 | 57 |
| Other expenses | 133 | 137 |
| | **653** | **715** |

1 See Directors' Remuneration Report on page 22 for more details on remuneration and expenses
2 Other expenses payable to the management company relate to marketing activities

# Notes to the Financial Statements (continued)

## 5 Finance costs

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Revenue return £'000 | Capital return £'000 | Total return £'000 | Revenue return £'000 | Capital return £'000 | Total return £'000 |
| Bank overdraft interest | 128 | 510 | 638 | 170 | 680 | 850 |

## 6 Taxation

### a) Analysis of charge in year

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Revenue return £'000 | Capital return £'000 | Total return £'000 | Revenue return £'000 | Capital return £'000 | Total return £'000 |
| Foreign withholding taxes | 1,865 | – | 1,865 | 1,689 | – | 1,689 |
| Overseas tax reclaimable | (656) | – | (656) | (631) | – | (631) |
| **Total current tax for the year (see note 6 b)** | **1,209** | **–** | **1,209** | **1,058** | **–** | **1,058** |

### b) Factors affecting tax charge for the year

The standard rate of corporation tax in the UK is 19% with effect from 1 April 2017. The tax assessed for the year ended 30 June 2019 is lower than the effective rate of corporation tax of 19.00% (2018: 19.00%).

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Revenue return £'000 | Capital return £'000 | Total return £'000 | Revenue return £'000 | Capital return £'000 | Total return £'000 |
| **Net profit/(loss) before taxation** | **13,277** | **(54,863)** | **(41,586)** | **12,083** | **(1,089)** | **10,994** |
| Corporation tax at 19.00% (2018: 19.00%) | 2,523 | (10,424) | (7,901) | 2,296 | (207) | 2,089 |
| Effects of: | | | | | | |
| Losses/(gains) on investments held not taxable | – | 9,871 | 9,871 | – | (702) | (702) |
| Capital expense unutilised for tax purposes | – | 553 | 553 | – | 909 | 909 |
| Non-taxable dividends | (2,711) | – | (2,711) | (2,574) | – | (2,574) |
| Overseas tax | 1,209 | – | 1,209 | 1,058 | – | 1,058 |
| Losses available to be utilised | 188 | – | 188 | 278 | – | 278 |
| **Tax charge** | **1,209** | **–** | **1,209** | **1,058** | **–** | **1,058** |

### c) Provision for deferred taxation

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

### d) Factors that may affect future tax charges

The Group has not recognised deferred tax assets of £6,909,000 (2018: £6,236,000) arising as a result of loan relationship deficits and excess management expenses. These expenses will only be utilised if the Group has profits chargeable to corporation tax in the future.

# Notes to the Financial Statements (continued)

## 7 Return per ordinary share

The return per ordinary share figure is based on the net loss for the year of £42,795,000 (2018: profit £9,936,000) and on the weighted average number of ordinary shares in issue during the year of 50,108,397 (2018: 49,987,260).

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.

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Net revenue profit | 12,068 | 11,025 |
| Net capital (loss)/profit | (54,863) | (1,089) |
| **Net (loss)/profit** | **(42,795)** | **9,936** |
| Weighted average number of ordinary shares in issue during the year | 50,108,397 | 49,987,260 |

| | 2019 Pence | 2018 Pence |
|---|---|---|
| Revenue return per ordinary share | 24.08 | 22.06 |
| Capital return per ordinary share | (109.49) | (2.18) |
| **Total return per ordinary share** | **(85.41)** | **19.88** |

## 8 Dividends

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Amounts recognised as distributions to equity holders in the year: | | |
| Final dividend of 14.00p for the year ended 30 June 2018 (2017: final dividend of 11.50p and special dividend of 3.00p per ordinary share for the year ended 30 June 2017) | 7,015 | 7,261 |
| Interim dividend of 7.50p per ordinary share for the year ended 30 June 2019 (2018: 5.00p) | 3,758 | 2,506 |
| | **10,773** | **9,767** |

The final dividend of 14.00p per ordinary share in respect of the year ended 30 June 2018 was paid on 30 November 2018 to shareholders on the register of members at the close of business on 3 November 2018. The total dividend paid amounted to £7,015,000.

Subject to approval at the annual general meeting in November 2019, the proposed final dividend of 14.50p per ordinary share will be paid on 29 November 2019 to shareholders on the Register of Members at the close of business on 25 October 2019. The shares will be quoted ex-dividend on 24 October 2019.

The proposed final dividend for the year ended 30 June 2019 has not been included as a liability in these financial statements. Under IFRSs, these dividends are not recognised until approved by shareholders.

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

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Revenue available for distribution by way of dividends for the year | 12,068 | 11,025 | 12,070 | 11,027 |
| Interim dividend of 7.50p per ordinary share for the year ended 30 June 2019 (2018: 5.00p) | (3,758) | (2,506) | (3,758) | (2,506) |
| Proposed final dividend for the year ended 30 June 2019 – 14.50p (2018: 14.00p) (making a total dividend of 22.00p) (based on 50,108,198 shares in issue at 2 October 2019) | (7,266) | (7,015) | (7,266) | (7,015) |
| **Revenue surplus** | **1,044** | **1,504** | **1,046** | **1,506** |

For s.1158 purposes the Company's undistributed revenue represents 7.8% (2018: 11.9%) of total income.

# Notes to the Financial Statements (continued)

## 9 Investments held at fair value through profit or loss

### a) Consolidated

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Cost at start of year | 565,022 | 456,075 |
| Investment holding gains at start of year | 61,035 | 165,162 |
| **Valuation at start of year** | **626,057** | **621,237** |
| Movement in the year: | | |
| Acquisitions at cost | 355,397 | 390,048 |
| Disposals at cost | (347,252) | (281,101) |
| Movements in investment holding gains | (53,806) | (104,127) |
| **Valuation at 30 June 2019** | **580,396** | **626,057** |
| Cost at 30 June | 573,167 | 565,022 |
| Investment holding gains | 7,229 | 61,035 |
| **Valuation at 30 June 2019** | **580,396** | **626,057** |

Included in the total investments are investments shown at the directors' fair valuation of £103,000 and classified as Level 3 investments (2018: £18,649,000). Further detail is provided in note 14.5 on pages 52 and 53.

At 30 June 2019 no convertible or fixed interest securities were held in the portfolio (2018: none).

### b) Company

| 2019 | Investments £'000 | Subsidiary undertaking £'000 | Total £'000 |
|---|---|---|---|
| Cost at 1 July 2018 | 565,022 | – | 565,022 |
| Investment holding gains at 1 July 2018 | 61,035 | 971 | 62,006 |
| **Valuation at 1 July 2018** | **626,057** | **971** | **627,028** |
| Movement in the year: | | | |
| Acquisitions at cost | 355,397 | – | 355,397 |
| Disposals at cost | (347,252) | – | (347,252) |
| Movements in investment holding gains | (53,806) | (2) | (53,808) |
| **Valuation at 30 June 2019** | **580,396** | **969** | **581,365** |
| Cost at 30 June 2019 | 573,167 | – | 573,167 |
| Investment holding gains | 7,229 | 969 | 8,198 |
| **Valuation at 30 June 2019** | **580,396** | **969** | **581,365** |

Included in the total investments are unquoted investments shown at the directors' fair valuation of £1,072,000 and classified as Level 3 investments (2018: £19,620,000). Further detail is provided in note 14.5 pages 52 and 53.

Purchase and sale transaction costs for the Company during the year ended 30 June 2019 were £287,000 and £144,000 respectively (2018: transaction costs of purchases £327,000; transaction costs of sales £206,000). These comprise mainly stamp duty and commission.

# Notes to the Financial Statements (continued)

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

| 2018 | Investments £'000 | Subsidiary undertaking £'000 | Total £'000 |
|---|---|---|---|
| Cost at 1 July 2017 | 456,075 | – | 456,075 |
| Investment holding gains at 1 July 2017 | 165,162 | 972 | 166,134 |
| **Valuation at 1 July 2017** | **621,237** | **972** | **622,209** |
| Movement in the year: | | | |
| Acquisitions at cost | 390,048 | – | 390,048 |
| Disposals at cost | (281,101) | – | (281,101) |
| Movements in investment holding gains | (104,127) | (1) | (104,128) |
| **Valuation at 30 June 2018** | **626,057** | **971** | **627,028** |
| Cost at 30 June 2018 | 565,022 | – | 565,022 |
| Investment holding gains | 61,035 | 971 | 62,006 |
| **Valuation at 30 June 2018** | **626,057** | **971** | **627,028** |

Included in the total investments are unquoted investments shown at the directors' fair valuation of £19,620,000 and classified as Level 3 investments (2017: £14,111,000).

### c) Total capital (losses)/gains from investments

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Realised gains based on historical cost | 3,248 | 108,243 |
| Less revaluation gains recognised in previous years | (30,546) | (79,871) |
| **(Losses)/gains on investments sold in year on carrying value at the previous balance sheet date** | **(27,298)** | **28,372** |
| Revaluation of investments held at 30 June | (23,260) | (24,256) |
| Exchange losses | (1,396) | (422) |
| **Total** | **(51,954)** | **3,694** |

## 10 Subsidiaries and related undertakings

The Company has one related undertaking, a subsidiary in which it holds 100% of the interest. The subsidiary, TREG Finance Limited, is registered in England and Wales and operates in the United Kingdom as an investment dealing company. The entire issued share capital of £2 consists of two ordinary shares held directly by the Company. Its registered office is 201 Bishopsgate, London EC2M 3AE. 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 at 30 June 2019 amounted to £968,000 (2018: £970,000). The subsidiary is consolidated and this payable has been eliminated on consolidation. The subsidiary's loss for the year was £2,000 (2018: £1,000). During the year the directors reviewed the business purpose of the subsidiary and determined that it would be in the best interests of shareholders to liquidate it. The remaining reserves in the subsidiary will be paid to the Company prior to liquidation. The directors' current intention is to initiate the liquidation process during the financial year ending 30 June 2020.

## 11 Substantial interests

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

| Company | Valuation £'000 | % of issued share capital |
|---|---|---|
| Singulus Technologies | 3,172 | 4.9 |
| Indel | 4,027 | 3.3 |
| 21 Centrale Partners III | 103 | 3.0 |

The Company also has an interest of more than 3% in Safwood. Safwood is a Level 3 security and valued at zero in the portfolio at 30 June 2019.

# Notes to the Financial Statements (continued)

## 12 Receivables

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Securities sold for future settlement | 2,622 | 947 | 2,622 | 947 |
| Withholding tax recoverable | 1,532 | 968 | 1,532 | 968 |
| Prepayments and accrued income | 471 | 255 | 471 | 255 |
| | **4,625** | **2,170** | **4,625** | **2,170** |

## 13 Payables

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Securities purchased for future settlement | 5,675 | 5,115 | 5,675 | 5,115 |
| Amount due to subsidiary undertaking | – | – | 968 | 970 |
| Accruals and deferred income | 1,046 | 2,512 | 1,044 | 2,510 |
| | **6,721** | **7,627** | **7,687** | **8,595** |

## 14 Risk management policies and procedures

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

These financial risks: market risk (comprising market price risk, currency risk and interest rate risk), liquidity risk and credit risk, and the directors' approach to the management of these risks, are set out below. The Board and Janus Henderson co-ordinate the Group's risk management and there are various risk management systems in place as detailed below.

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

### 14.1 Market risk

The fair value of a financial instrument held by the Group may fluctuate due to changes in market prices. Market risk comprises market price risk (see note 14.1.1), currency risk (see note 14.1.2) and interest rate risk (see note 14.1.3). Janus Henderson assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

### 14.1.1 Market price risk

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

**Management of the risk**

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

The Group's exposure to changes in market prices on equity investments was £580,396,000 (2018: £626,057,000).

**Concentration of exposure to market price risk**

A geographical analysis of the Group's investment portfolio is shown on page 7.

**Market price risk sensitivity**

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

# Notes to the Financial Statements (continued)

## 14 Risk management policies and procedures (continued)

### 14.1.1 Market price risk (continued)

The impact of a 20% increase in the value of the investments on the revenue return as at 30 June 2019 is a decrease of £116,000 (2018: £150,000) and on the capital return is an increase of £115,522,000 (2018: £124,610,000). Accordingly, the total impact on shareholders' funds is an increase of £115,383,000 (2018: £124,460,000).

The impact of a 20% decrease in the value of the investments on the revenue return as at 30 June 2019 is an increase of £116,000 (2018: £150,000) and on the capital return is a decrease of £115,522,000 (2018: £124,610,000). Accordingly, the total impact on shareholders' funds is a decrease of £115,383,000 (2018: £124,460,000).

### 14.1.2 Currency risk

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

**Management of the risk**

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

| 2019 | Euro £'000 | US dollar £'000 | Swiss franc £'000 | Other £'000 |
|---|---|---|---|---|
| Receivables (securities sold for future settlement, dividends and other income receivable) | 3,781 | – | 558 | 273 |
| Payables (securities purchased for future settlement, accruals and other payables) | (2,756) | – | – | (2,973) |
| Bank overdrafts | (57,280) | – | – | – |
| **Total foreign currency exposure on net monetary items** | **(56,255)** | **–** | **558** | **(2,700)** |
| Investments | 391,693 | 3,385 | 54,061 | 124,304 |
| **Total net foreign currency exposure** | **335,438** | **3,385** | **54,619** | **121,604** |

| 2018 | Euro £'000 | US dollar £'000 | Swiss franc £'000 | Other £'000 |
|---|---|---|---|---|
| Receivables (securities sold for future settlement, dividends and other income receivable) | 834 | – | 647 | 670 |
| Payables (securities purchased for future settlement, accruals and other payables) | (4,820) | – | – | (467) |
| Bank overdrafts | (46,130) | – | – | – |
| **Total foreign currency exposure on net monetary items** | **(50,116)** | **–** | **647** | **203** |
| Investments | 451,005 | – | 53,061 | 116,277 |
| **Total net foreign currency exposure** | **400,889** | **–** | **53,708** | **116,480** |

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)

## 14 Risk management policies and procedures (continued)

### 14.1.2 Currency risk (continued)

**Foreign currency sensitivity**

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

It assumes the following changes in exchange rates:

Euro/Sterling +/- 10% (2018: 10%). US dollar/Sterling +/- 10% (2018: 10%).
Swiss franc/Sterling +/- 10% (2018: 10%). Other/Sterling +/- 10% (2018: 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:

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Euro £'000 | US dollar £'000 | Swiss franc £'000 | Other £'000 | Euro £'000 | US dollar £'000 | Swiss franc £'000 | Other £'000 |
| **Profit after tax** | | | | | | | | |
| Revenue return | 560 | – | 36 | 201 | 880 | – | 97 | 230 |
| Capital return | 43,309 | 374 | 5,978 | 13,745 | 49,867 | – | 5,867 | 12,857 |
| **Change to profit after tax for the year** | **43,869** | **374** | **6,014** | **13,946** | **50,747** | **–** | **5,964** | **13,087** |
| **Impact on net assets** | **43,869** | **374** | **6,014** | **13,946** | **50,747** | **–** | **5,964** | **13,087** |

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:

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Euro £'000 | US dollar £'000 | Swiss franc £'000 | Other £'000 | Euro £'000 | US dollar £'000 | Swiss franc £'000 | Other £'000 |
| **Profit after tax** | | | | | | | | |
| Revenue return | (1,181) | – | (30) | (164) | (719) | – | (79) | (189) |
| Capital return | (35,431) | (306) | (4,891) | (11,245) | (40,800) | – | (4,800) | (10,519) |
| **Change to profit after tax for the year** | **(36,612)** | **(306)** | **(4,921)** | **(11,409)** | **(41,519)** | **–** | **(4,879)** | **(10,708)** |
| **Impact on net assets** | **(36,612)** | **(306)** | **(4,921)** | **(11,409)** | **(41,519)** | **–** | **(4,879)** | **(10,708)** |

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)

## 14 Risk management policies and procedures (continued)

### 14.1.3 Interest rate risk

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

**Management of the risk**

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

**Interest rate exposure**

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

Interest received on cash balances or paid on the bank overdraft is at a margin over the applicable base rate (2018: 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 (2018: 100 basis points) in interest rates would have been as follows:

| Consolidated Statement of Comprehensive Income | Increase in rates 2019 £'000 | Decrease in rates 2019 £'000 | Increase in rates 2018 £'000 | Decrease in rates 2018 £'000 |
|---|---|---|---|---|
| **Profit after tax** | | | | |
| Revenue return | (115) | 115 | (91) | 91 |
| Capital return | (458) | 458 | (369) | 369 |
| **Change to net profit and net assets** | **(573)** | **573** | **(460)** | **460** |

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

In the opinion of the directors, these 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.

### 14.2 Liquidity risk

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

**Management of the risk**

Liquidity risk is not significant as the majority of the Group's assets are investments in listed securities that are readily realisable. During the year the Group had a secured multi-currency overdraft facility equal to the lesser of £100,000,000 (2018: £100,000,000) and 25% (2018: same) of custody assets with HSBC Bank plc, the Company's depositary and custodian.

The amount drawn down at 30 June 2019 was £57,280,000 (2018: £46,130,000) in Euros (2018: same).

The Board gives guidance to Janus 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)

## 14 Risk management policies and procedures (continued)

### 14.2 Liquidity risk (continued)

**Liquidity risk exposure**

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | 3 months or less £'000 | Total £'000 | 3 months or less £'000 | Total £'000 |
| Current liabilities: | | | | |
| Borrowings under the overdraft facility | 57,280 | 57,280 | 46,130 | 46,130 |
| Amounts due in relation to securities purchased for future settlement and accruals | 6,721 | 6,721 | 7,627 | 7,627 |
| | 64,001 | 64,001 | 53,757 | 53,757 |

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

### 14.3 Credit risk

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

**Management of the risk**

Credit risk is managed as follows:

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

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

Outstanding settlements are subject to credit risk. Credit risk is mitigated by the Group through its decision to transact with counterparties of high credit quality. The Group only buys and sells investments through brokers which are approved counterparties, thus minimising the risk of default during settlement. The credit ratings of brokers are reviewed periodically by Janus 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:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Receivables: | | |
| Securities sold for future settlement | 2,622 | 947 |
| Accrued income | 458 | 235 |
| Cash and cash equivalents | 3 | 121 |
| | 3,083 | 1,303 |

# Notes to the Financial Statements (continued)

## 14.4 Fair values of financial assets and financial liabilities

Financial assets and financial liabilities are either carried in the Balance Sheet at their fair value (investments) or their carrying amount is a reasonable approximation of fair value due to their short term to maturity (amounts due from securities sold for future settlement, dividends and interest receivable, amounts related to securities purchased for future settlement, accruals, cash and cash equivalents and bank overdrafts).

## 14.5 Fair value hierarchy disclosures

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

Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows:
Level 1 – valued using quoted prices in active markets for identical assets.
Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.
Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the Company are explained in the accounting policies note on page 39.

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

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

| Fair value hierarchy | Group 2018 £'000 | Company 2018 £'000 |
|---|---|---|
| **Equity Investments** | | |
| Level 1 | 607,408 | 607,408 |
| Level 2 | – | – |
| Level 3 | 18,649 | 19,620 |
| **Total** | **626,057** | **627,028** |

# Notes to the Financial Statements (continued)

## 14 Risk management policies and procedures (continued)

### 14.5 Fair value hierarchy disclosures (continued)

| Level 3 investments at fair value through profit or loss | Group 2018 £'000 | Company 2018 £'000 |
|---|---|---|
| Opening balance | 13,139 | 14,111 |
| Acquisitions | – | – |
| Disposal proceeds | – | – |
| Transfers into level | – | – |
| | 13,139 | 14,111 |
| **Total gains included in the Consolidated Statement of Comprehensive Income** | | |
| On assets sold | (5,031) | (5,031) |
| On assets held at the year end | 10,541 | 10,540 |
| | 5,510 | 5,509 |
| **Closing balance** | **18,649** | **19,620** |

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

The total value of unquoted investments at 30 June 2019 was £103,000 (2018: £18,649,000).

### 14.6 Capital management policies and procedures

The Group's capital management objectives are:

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

The portfolio includes unquoted investments which total 0.02% of the total portfolio (2018: 3.0%). These unquoted investments include limited liability partnerships (where the valuations are based on accounts produced by those companies).

The Group's capital at 30 June 2019 comprised its equity share capital, reserves and debt that are shown in the Consolidated and Parent Company Balance Sheets at a total of £578,303,000 (2018: £620,721,000).

The Board, with assistance of Janus 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)

## 15 Called up share capital (Group & Company)

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | number of shares | £'000 | number of shares | £'000 |
| Allotted, issued and fully paid | | | | |
| Ordinary shares of 12.5p | 50,108,397 | 6,264 | 50,108,397 | 6,264 |

During the year no ordinary shares were issued (2018: 395,000) for proceeds of £nil (2018: £4,963,000). In the current and prior financial year to date, the Company has not repurchased any shares for cancellation.

## 16 Share premium account

| | Group and Company 2019 £'000 | Group and Company 2018 £'000 |
|---|---|---|
| At 1 July | 120,364 | 115,451 |
| Issue of ordinary shares | – | 4,913 |
| **At 30 June** | **120,364** | **120,364** |

## 17 Capital redemption reserve and other capital reserves

### a) Consolidated

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

The capital reserve arising on revaluation of investments held at 30 June 2019 includes a loss of £5,541,000 in respect of the revaluation of unquoted investments (2018: gain of £1,068,000).

### b) Company

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

The capital reserve arising on revaluation of investments held at 30 June 2019 includes a loss of £4,572,000 in respect of the revaluation of unquoted investments (2018: gain of £2,039,000).

# Notes to the Financial Statements (continued)

## 17 Capital redemption reserve and other capital reserves (continued)

### a) Consolidated

| 2018 | Capital redemption reserve £'000 | Capital reserve arising on revaluation of investments held £'000 | Capital reserve arising on investments sold £'000 | Other capital reserves £'000 |
|---|---|---|---|---|
| At 1 July 2017 | 13,964 | 165,165 | 241,937 | 407,102 |
| Transfer on disposal of investments (see note 9 c) | – | (79,871) | 79,871 | – |
| Capital gains for the year | – | (24,256) | 28,372 | 4,116 |
| Expenses, finance costs and taxation charged to capital | – | – | (4,783) | (4,783) |
| Net losses on foreign exchange | – | – | (422) | (422) |
| **At 30 June 2018** | **13,964** | **61,038** | **344,975** | **406,013** |

The capital reserve arising on revaluation of investments held at 30 June 2018 includes a gain of £1,068,000 in respect of the revaluation of unquoted investments (2017: loss of £9,593,000).

### b) Company

| 2018 | Capital redemption reserve £'000 | Capital reserve arising on revaluation of investments held £'000 | Capital reserve arising on investments sold £'000 | Other capital reserves £'000 |
|---|---|---|---|---|
| At 1 July 2017 | 13,964 | 166,137 | 242,006 | 408,143 |
| Transfer on disposal of investments (see note 9 c) | – | (79,871) | 79,871 | – |
| Capital gains for the year | – | (24,257) | 28,372 | 4,115 |
| Expenses, finance costs and taxation charged to capital | – | – | (4,783) | (4,783) |
| Net losses on foreign exchange | – | – | (422) | (422) |
| **At 30 June 2018** | **13,964** | **62,009** | **345,044** | **407,053** |

The capital reserve arising on revaluation of investments held at 30 June 2018 includes a gain of £2,039,000 in respect of the revaluation of unquoted investments (2017: loss of £8,619,000).

## 18 Retained earnings – revenue reserve

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| At 1 July | 27,986 | 26,728 | 26,946 | 25,687 |
| Ordinary dividends paid | (10,773) | (9,767) | (10,773) | (9,767) |
| Revenue return for the year | 12,068 | 11,025 | 12,070 | 11,026 |
| **At 30 June** | **29,281** | **27,986** | **28,243** | **26,946** |

As permitted by section 408 of the Act, the Company has not presented its own Statement of Comprehensive Income. The loss after taxation of the Company amounted to £42,795,000 (2018: profit of £9,936,000).

# Notes to the Financial Statements (continued)

## 19 Net asset value per ordinary share

The NAV per ordinary share is based on the net assets attributable to the ordinary shares of £521,023,000 (2018: £574,591,000) and on the 50,108,397 ordinary shares in issue at 30 June 2019 (2018: 50,108,397).

The Company has no securities in issue that could dilute the NAV per ordinary share (2018: same). The NAV per ordinary share at 30 June 2019 was 1,039.79p (2018: 1,146.70p).

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

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Net assets attributable to ordinary shares at start of year | 574,591 | 569,459 |
| Profit for the year | (42,795) | 9,936 |
| Dividends paid in the year | (10,773) | (9,767) |
| Proceeds from issue of ordinary shares | – | 4,963 |
| **Net assets at 30 June** | **521,023** | **574,591** |

## 20 Capital commitments and contingent liabilities

### Capital commitments

At 30 June 2019 there were capital commitments of £nil (2018: £nil) in respect of the Company's holdings in limited partnerships.

### Contingent liabilities

At 30 June 2019 there were no contingent liabilities in respect of sub underwriting participations (2018: same).

## 21 Transactions with the Manager and related parties

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

Details of the arrangements are given on page 4 in the Strategic Report. The total of the management fee paid or payable to Janus Henderson under the management agreement in respect of the year ended 30 June 2019 was £2,999,000 (2018: £4,804,000), of which £776,000 was outstanding at 30 June 2019 (2018: £41,000).

In addition to the above services, Janus Henderson facilitates marketing activities with third-parties which are recharged to the Company. Janus Henderson also provides sales and marketing services which until 31 December 2017 were charged to the Company at an annual cost of £20,000 (excluding VAT). Since 1 January 2018 there has been no separate charge for these services. The total fees paid or payable for these services for the year ended 30 June 2019 amounted to £70,000 excluding VAT (2018: £97,000) of which £75,000 was outstanding at 30 June 2019 (2018: £41,000).

The compensation payable to key management personnel in respect of short term employment benefits was £141,000. This disclosure relates wholly to the fees of £141,000 payable to the directors in respect of the year (2018: £141,000); the directors are all non-executive and receive no other compensation. The Directors' Remuneration Report on pages 21 and 22 provides more detail.
The Company has no employees.

The Company has paid administrative expenses on behalf of its subsidiary, TREG Finance Limited, totalling £2,000 (2018: £1,000).

# Notes to the Financial Statements (continued)

## 22 Change in financial liabilities

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

| | At 1 July 2017 £'000 | Cash flows £'000 | Non-cash changes<br>Foreign exchange movement £'000 | At 30 June 2018 £'000 |
|---|---|---|---|---|
| Bank overdrafts | (49,186) | 3,478 | (422) | (46,130) |
| **Total** | **(49,186)** | **3,478** | **(422)** | **(46,130)** |

# Investment Portfolio at 30 June 2019 (unaudited)

| Ranking 2019 | Ranking 2018 | Company | Principal activities | Industry Groups | Geographical area | Valuation 2019 £'000 | Percentage of portfolio |
|---|---|---|---|---|---|---|---|
| 1 | 2 | Van Lanschot | Banks | Financial | Netherlands | 13,088 | 2.2 |
| 2 | 7 | TKH | Electronic & electrical equipment | Industrial Goods | Netherlands | 12,323 | 2.1 |
| 3 | 47 | DFDS | Industrial transportation | Business Providers | Denmark | 12,056 | 2.1 |
| 4 | 21 | Nexans | Electronic & electrical equipment | Industrial Goods | France | 10,241 | 1.8 |
| 5 | 8 | Gaztransport et Technigaz | Support services | Industrial Goods | France | 10,220 | 1.8 |
| 6 | 4 | Dermapharmaceutical | Pharmaceuticals & biotechnology | Consumer Goods | Germany | 9,110 | 1.6 |
| 7 | 5 | Banca Farmafactoring | Banks | Financial | Italy | 8,248 | 1.4 |
| 8 | – | Karnov | Leisure goods | Consumer Goods | Sweden | 8,217 | 1.4 |
| 9 | 13 | Tarkett | Construction & materials | Basic Materials | France | 8,149 | 1.4 |
| 10 | 14 | Conzzeta | Industrial engineering | Industrial Goods | Switzerland | 7,508 | 1.3 |
| | | **10 Largest** | | | | **99,160** | **17.1%** |
| 11 | 10 | S.O.I.T.E.C | Technology hardware & equipment | Technology | France | 7,392 | 1.3 |
| 12 | 57 | Dometic | Leisure goods | Industrial Goods | Sweden | 6,876 | 1.2 |
| 13 | 101 | Kindred | Travel & leisure | Retail Providers | Sweden | 6,733 | 1.2 |
| 14 | 90 | SAES Getters Di Risp | Electronic & electrical equipment | Technology | Italy | 6,651 | 1.2 |
| 15 | – | Almirall | Pharmaceuticals & biotechnology | Consumer Goods | Spain | 6,374 | 1.1 |
| 16 | 11 | Caverion | Support services | Basic Materials | Finland | 6,286 | 1.1 |
| 17 | 9 | Boskalis Westminster | Construction & materials | Basic Materials | Netherlands | 6,199 | 1.1 |
| 18 | 63 | Zur Rose | Food & drug retailers | Retail Providers | Switzerland | 6,162 | 1.0 |
| 19 | 82 | Evotec | Pharmaceuticals & biotechnology | Consumer Goods | Germany | 6,162 | 1.0 |
| 20 | 117 | BE Semiconductor | Technology hardware & equipment | Technology | Netherlands | 6,117 | 1.0 |
| | | **20 Largest** | | | | **164,112** | **28.3%** |
| 21 | 51 | Recticel | Chemicals | Basic Materials | Belgium | 6,050 | 1.0 |
| 22 | 41 | Mersen | Electronic & electrical equipment | Industrial Goods | France | 6,006 | 1.0 |
| 23 | 24 | Aareal Bank | Financial services | Financial | Germany | 5,952 | 1.0 |
| 24 | 40 | Nobia | Household goods & home construction | Consumer Goods | Sweden | 5,596 | 1.0 |
| 25 | 27 | AMG Advanced Metallurgical | Industrial engineering | Basic Materials | Netherlands | 5,507 | 1.0 |
| 26 | 80 | FLEX LNG | Industrial transportation | Natural Resources | Norway | 5,493 | 1.0 |
| 27 | 16 | Tikehau | Financial services | Financial | France | 5,370 | 0.9 |
| 28 | – | Salmar | Food producers | Consumer Goods | Norway | 5,352 | 0.9 |
| 29 | 71 | PVA | Technology hardware & equipment | Technology | Germany | 5,324 | 0.9 |
| 30 | – | UDG | Health care equipment & services | Consumer Goods | Ireland | 5,282 | 0.9 |
| | | **30 Largest** | | | | **220,044** | **37.9%** |
| 31 | 39 | Borregaard | Chemicals | Basic Materials | Norway | 5,281 | 0.9 |
| 32 | 15 | OC Oerlikon | Industrial engineering | Industrial Goods | Switzerland | 5,131 | 0.9 |
| 33 | 98 | Fjordkraft | Electricity | Industrial Goods | Norway | 5,101 | 0.9 |
| 34 | 43 | Outotec | Industrial engineering | Industrial Goods | Finland | 5,050 | 0.9 |
| 35 | 65 | Anima | Financial services | Financial | Italy | 4,966 | 0.8 |
| 36 | – | Dovalue | Banks | Financial | Netherlands | 4,853 | 0.8 |
| 37 | 3 | Lenzing | Chemicals | Basic Materials | Austria | 4,781 | 0.8 |
| 38 | – | Medacta | Health care equipment & services | Consumer Goods | Switzerland | 4,579 | 0.8 |
| 39 | 25 | Credito Emiliano | Banks | Financial | Italy | 4,551 | 0.8 |
| 40 | 32 | Cargotec | Industrial engineering | Business Providers | Finland | 4,478 | 0.8 |
| | | **40 Largest** | | | | **268,815** | **46.3%** |
| 41 | – | Swissquote | Financial services | Financial | Switzerland | 4,475 | 0.8 |
| 42 | – | Navigator | Forestry & paper | Basic Materials | Portugal | 4,475 | 0.8 |
| 43 | 46 | VGP | Real estate investment services | Financial | Belgium | 4,469 | 0.8 |
| 44 | 81 | JM | Real estate investment services | Basic Materials | Sweden | 4,402 | 0.8 |
| 45 | 26 | Cramo | Support services | Business Providers | Finland | 4,387 | 0.8 |
| 46 | 12 | Metall Zug | Household goods & home construction | Consumer Goods | Switzerland | 4,342 | 0.7 |
| 47 | – | Mytilineos | Industrial metals & mining | Basic Materials | Greece | 4,314 | 0.7 |
| 48 | 38 | CFE | Construction & materials | Basic Materials | Belgium | 4,254 | 0.7 |
| 49 | 115 | Ahlstrom-Munksjo | Forestry & paper | Basic Materials | Finland | 4,224 | 0.7 |
| 50 | 42 | Barco | Electronic & electrical equipment | Technology | Belgium | 4,166 | 0.7 |
| | | **50 Largest** | | | | **312,323** | **53.8%** |

# Investment Portfolio at 30 June 2019 (unaudited)

| Ranking 2019 | Ranking 2018 | Company | Principal activities | Industry Groups | Geographical area | Valuation 2019 £'000 | Percentage of portfolio |
|---|---|---|---|---|---|---|---|
| 51 | 19 | Finecobank | Banks | Financial | Italy | 4,157 | 0.7 |
| 52 | 83 | Bonava | Household goods & home construction | Consumer Goods | Sweden | 4,141 | 0.7 |
| 53 | 78 | Bygghemma | General retailers | Retail Providers | Sweden | 4,105 | 0.7 |
| 54 | – | Medios | Pharmaceuticals & biotechnology | Consumer Goods | Germany | 4,085 | 0.7 |
| 55 | 33 | Edag Engineering | Support services | Industrial Goods | Germany | 4,073 | 0.7 |
| 56 | 28 | Indel | Electronic & electrical equipment | Industrial Goods | Italy | 4,027 | 0.7 |
| 57 | 44 | Corticeira Amorim | General industrials | Basic Materials | Portugal | 4,022 | 0.7 |
| 58 | 77 | Sanoma | Media | Business Providers | Finland | 3,987 | 0.7 |
| 59 | 64 | B&S | General retailers | Business Providers | Netherlands | 3,966 | 0.7 |
| 60 | – | Trigano | Leisure goods | Consumer Goods | France | 3,950 | 0.7 |
| | | **60 Largest** | | | | **352,836** | **60.8%** |
| 61 | 22 | Flsmidth & Co | Construction & materials | Industrial Goods | Denmark | 3,835 | 0.7 |
| 62 | 55 | Academedia | General retailers | Business Providers | Sweden | 3,833 | 0.7 |
| 63 | 37 | Lisi | Aerospace & defence | Industrial Goods | France | 3,817 | 0.7 |
| 64 | – | Schoeller-Bleckmann Oilfield | Oil equipment services & distribution | Business Providers | Austria | 3,812 | 0.7 |
| 65 | – | THQ Nordic | Leisure goods | Consumer Goods | Sweden | 3,794 | 0.7 |
| 66 | 30 | Kaufman & Broad | Household goods & home construction | Consumer Goods | France | 3,777 | 0.6 |
| 67 | 18 | Kemira | Chemicals | Basic Materials | Finland | 3,739 | 0.6 |
| 68 | – | Varta | Household goods & home construction | Consumer Goods | Germany | 3,691 | 0.6 |
| 69 | 29 | Origin Enterprises | Food producers | Consumer Goods | Ireland | 3,674 | 0.6 |
| 70 | 61 | SMCP | Personal goods | Retail Providers | France | 3,642 | 0.6 |
| | | **70 Largest** | | | | **390,450** | **67.3%** |
| 71 | 56 | Wallenius Wilhelmsen Logistics | Industrial Transportation | Business Providers | Norway | 3,593 | 0.6 |
| 72 | 92 | Jungheinrich | Machinery | Industrial Goods | Germany | 3,555 | 0.6 |
| 73 | 108 | Lindab | Construction & materials | Basic Materials | Sweden | 3,520 | 0.6 |
| 74 | 79 | Ambea | Health care equipment & services | Consumer Goods | Sweden | 3,491 | 0.6 |
| 75 | 75 | KSB | Industrial engineering | Industrial Goods | Germany | 3,488 | 0.6 |
| 76 | 31 | Criteo | Software & computer services | Technology | France | 3,385 | 0.6 |
| 77 | 107 | Somfy | Electronic & electrical equipment | Industrial Goods | France | 3,352 | 0.6 |
| 78 | – | Cerved Information Solutions | Support services | Industrial Goods | Italy | 3,298 | 0.6 |
| 79 | – | Marel | Industrial engineering | Industrial Goods | Netherlands | 3,269 | 0.6 |
| 80 | 17 | Intertrust | Financial services | Financial | Netherlands | 3,227 | 0.6 |
| | | **80 Largest** | | | | **424,628** | **73.3%** |
| 81 | – | Drilling Co | Oil & Gas Producers | Business Providers | Denmark | 3,220 | 0.6 |
| 82 | – | Vetropack | General industrials | Industrial Goods | Switzerland | 3,215 | 0.6 |
| 83 | 76 | S&T | General retailers | Technology | Austria | 3,188 | 0.5 |
| 84 | – | Promotora De Informaciones | Media | Consumer Goods | Spain | 3,181 | 0.5 |
| 85 | 53 | Singulus Technologies | Industrial engineering | Technology | Germany | 3,172 | 0.5 |
| 86 | 114 | Hellofresh | Food & drug retailers | Retail Providers | Germany | 3,082 | 0.5 |
| 87 | – | Paradox Interactive | Leisure goods | Consumer Goods | Sweden | 3,039 | 0.5 |
| 88 | – | Befesa | Support services | Industrial Goods | Germany | 3,035 | 0.5 |
| 89 | 60 | ALSO | Technology hardware & equipment | Business Providers | Switzerland | 3,030 | 0.5 |
| 90 | 100 | CTS Eventim | Support services | Retail Providers | Germany | 3,015 | 0.5 |
| | | **90 Largest** | | | | **455,805** | **78.5%** |
| 91 | 95 | Focus Home Interactive | Leisure goods | Technology | France | 2,987 | 0.5 |
| 92 | 123 | SAF Holland | Automobiles & parts | Industrial Goods | Germany | 2,983 | 0.5 |
| 93 | – | Aedas Homes | Real estate investment services | Financial | Spain | 2,982 | 0.5 |
| 94 | 120 | Cewe Shiftung | General retailers | Business Providers | Germany | 2,944 | 0.5 |
| 95 | – | Ströer | Media | Consumer Goods | Germany | 2,932 | 0.5 |
| 96 | 110 | Handicare | Health care equipment & services | Consumer Goods | Sweden | 2,885 | 0.5 |
| 97 | – | Daetwyler | General industrials | Industrial Goods | Switzerland | 2,873 | 0.5 |
| 98 | – | Stratec | Health care equipment & services | Consumer Goods | Germany | 2,846 | 0.5 |
| 99 | – | Alzchem | Software & computer services | Technology | Germany | 2,818 | 0.5 |
| 100 | 54 | Alma Media | Media | Business Providers | Finland | 2,811 | 0.5 |
| | | **100 Largest** | | | | **484,866** | **83.5%** |

# Investment Portfolio at 30 June 2019 (unaudited)

| Ranking 2019 | Ranking 2018 | Company | Principal activities | Industry Groups | Geographical area | Valuation 2019 £'000 | Percentage of portfolio |
|---|---|---|---|---|---|---|---|
| 101 | – | SMA Solar Technology | Alternative Energy | Business Providers | Germany | 2,772 | 0.5 |
| 102 | – | Deutz | Industrial engineering | Industrial Goods | Germany | 2,718 | 0.5 |
| 103 | 122 | Thule | Leisure goods | Consumer Goods | Sweden | 2,711 | 0.5 |
| 104 | – | Bucher Industries | Industrial engineering | Industrial Goods | Switzerland | 2,707 | 0.5 |
| 105 | 49 | Dalata Hotel | Travel & leisure | Retail Providers | Ireland | 2,671 | 0.5 |
| 106 | – | Huhtamaki | General industrials | Industrial Goods | Finland | 2,670 | 0.5 |
| 107 | – | Data Respons | Software & computer services | Technology | Norway | 2,668 | 0.5 |
| 108 | 74 | Aurelius | Financial services | Financial | Germany | 2,665 | 0.5 |
| 109 | 125 | Nexus | Software & computer services | Consumer Goods | Germany | 2,634 | 0.4 |
| 110 | – | Subsea | Oil equipment services & distribution | Business Providers | Norway | 2,632 | 0.4 |
| | | **110 Largest** | | | | **511,714** | **88.3%** |
| 111 | 6 | Fugro | Oil equipment services & distribution | Business Providers | Netherlands | 2,617 | 0.4 |
| 112 | – | Bekaert | General industrials | Industrial Goods | Belgium | 2,606 | 0.4 |
| 113 | 127 | Klingelnberg | Industrial engineering | Industrial Goods | Switzerland | 2,562 | 0.4 |
| 114 | – | Ned Apparaten | Electronic & electrical equipment | Technology | Netherlands | 2,545 | 0.4 |
| 115 | 109 | Suess Mircotec | Electronic & electrical equipment | Technology | Germany | 2,543 | 0.4 |
| 116 | 132 | Bauer | Construction & materials | Basic Materials | Germany | 2,523 | 0.4 |
| 117 | 59 | Datalogic | Electronic & electrical equipment | Technology | Italy | 2,476 | 0.4 |
| 118 | 58 | Valmet | Industrial machinery | Industrial Goods | Finland | 2,466 | 0.4 |
| 119 | 35 | Carel Industrial | Construction & materials | Industrial Goods | Italy | 2,462 | 0.4 |
| 120 | 87 | Fjord | Industrial transportation | Business Providers | Norway | 2,348 | 0.4 |
| | | **120 Largest** | | | | **536,862** | **92.3%** |
| 121 | 136 | Safilo | Personal goods | Consumer Goods | Italy | 2,335 | 0.4 |
| 122 | 45 | Elmos Semiconductor | Technology hardware & equipment | Technology | Germany | 2,281 | 0.4 |
| 123 | – | John Mattson | Real estate investment services | Financial | Sweden | 2,178 | 0.4 |
| 124 | – | Stabilus | Industrial engineering | Industrial Goods | Germany | 2,155 | 0.4 |
| 125 | 111 | Komax | Industrial engineering | Industrial Goods | Switzerland | 2,138 | 0.4 |
| 126 | 121 | Manz | Industrial engineering | Technology | Germany | 2,120 | 0.4 |
| 127 | 119 | Bossard | Construction & materials | Business Providers | Switzerland | 2,111 | 0.4 |
| 128 | 128 | Sixt Leasing | General retailers | Business Providers | Germany | 2,076 | 0.4 |
| 129 | 126 | Basware | Software & computer services | Technology | Finland | 2,074 | 0.4 |
| 130 | – | MIPS | Leisure goods | Consumer Goods | Sweden | 2,064 | 0.4 |
| | | **130 Largest** | | | | **558,394** | **96.3%** |
| 131 | 89 | Tessenderlo Chemie | Chemicals | Basic Materials | Belgium | 2,006 | 0.3 |
| 132 | 96 | Hexagon | General industrials | Industrial Goods | Norway | 1,968 | 0.3 |
| 133 | – | Fagron | Health care equipment & services | Consumer Goods | Belgium | 1,925 | 0.3 |
| 134 | – | Mentice | Health care equipment & services | Consumer Goods | Sweden | 1,789 | 0.3 |
| 135 | – | Wacker Neuson | Industrial engineering | Industrial Goods | Germany | 1,779 | 0.3 |
| 136 | – | Westwing | General retailers | Consumer Goods | Germany | 1,736 | 0.3 |
| 137 | 112 | Meyer Burger | Industrial Engineering | Industrial Goods | Switzerland | 1,730 | 0.3 |
| 138 | 23 | Grafton | Support services | Technology | Ireland | 1,670 | 0.3 |
| 139 | 50 | Akasol | Automobiles & parts | Industrial Goods | Germany | 1,541 | 0.3 |
| 140 | 139 | Boozt | General retailers | Technology | Sweden | 1,381 | 0.2 |
| | | **140 Largest** | | | | **575,919** | **99.2%** |
| 141 | – | Aumann | Industrial engineering | Industrial Goods | Germany | 1,022 | 0.2 |
| 142 | – | Arbonia | Construction & materials | Industrial Goods | Switzerland | 958 | 0.2 |
| 143 | 130 | MPC | Financial services | Financial | Germany | 934 | 0.2 |
| 144 | – | Immobel | Real estate investment services | Financial | Belgium | 918 | 0.1 |
| 145 | 133 | Siegfried | Pharmaceuticals & biotechnology | Consumer Goods | Switzerland | 542 | 0.1 |
| 146 | 141 | 21 Centrale Partners III[1] | Financial services | Financial | France | 103 | 0.0 |
| | | **Total investments** | | | | **580,396** | **100.0%** |

1 Unquoted investment

# Alternative Performance Measures

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

## Capital return per share

The capital return per share, is the capital profit/(loss) for the year (see Statement of Comprehensive Income) divided by the weighted average number of ordinary shares in issue during the year (see note 7 on page 44).

## Discount or Premium

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

| | | 30 June 2019 | 30 June 2018 |
|---|---|---|---|
| Net asset value per share (pence) | (A) | 1,039.79 | 1,146.70 |
| Share price per share (pence) | (B) | 892.00 | 1,020.00 |
| (Discount) or Premium (C= (B-A)/A) (%) | (C) | (14.2) | (11.1) |

## Gearing/(Net Cash)

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

| | | 2019 | 2018 |
|---|---|---|---|
| Investments held at fair value through profit or loss (page 36) (£'000) | (A) | 580,396 | 626,057 |
| Net assets (page 36) (£'000) | (B) | 521,023 | 574,591 |
| Gearing (C = A / B – 1) (%) | (C) | 11.4 | 9.0 |

## Net Asset Value (NAV) per share

The value of the Company's assets (i.e. investments (see note 9) and cash held (see Balance Sheet)) less any liabilities (i.e. bank borrowings (see Balance Sheet)) for which the Company is responsible divided by the number of shares in issue (see note 15). The aggregate NAV is also referred to as Total equity in the Balance Sheet. The NAV per share is published daily and the year end NAV can be found on page 3 and further information is available on page 56 in note 19 within the notes to the financial statements.

# Alternative Performance Measures (continued)

## Ongoing charges

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

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Management fee (note 3) | 2,999 | 3,504 |
| Other operating expenses (note 4) | 653 | 715 |
| Less: non-recurring expenses | – | – |
| **Ongoing charges** | **3,652** | **4,219** |
| Performance fee | – | 1,300 |
| **Ongoing charges including performance fee** | **3,652** | **5,519** |
| **Average net assets[1]** | **509,485** | **592,711** |
| **Ongoing charges ratio** | **0.72%** | **0.71%** |
| **Ongoing charges ratio including performance fee** | **0.72%** | **0.93%** |

1 Calculated using the average daily net asset value

The ongoing costs provided in the Company's Key Information Document ("KID") is calculated in line with the PRIIPs regulations. The ongoing costs in the KID includes finance costs.

## Revenue return per share

The revenue return per share, is the revenue return for the year (see Statement of Comprehensive Income) divided by the weighted average number of ordinary shares in issue during the year (see note 7 on page 44).

## Total return

The return on the share price or NAV taking into account both the rise and fall of NAV/share prices and dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV total return). Dividends paid and payable are set out in note 8 on page 44.

| | NAV per share | Share price |
|---|---|---|
| NAV/Share Price per share at 30 June 2018 (pence) | 1,146.70 | 1,020.00 |
| NAV/Share Price per share at 30 June 2019 (pence) | 1,039.79 | 892.00 |
| Change in the year (%) | (9.3) | (12.5) |
| Impact of dividends reinvested (%) | 2.0 | 2.1 |
| **Total return for the year (%)** | **(7.3)** | **(10.4)** |

# General Shareholder Information

## AIFMD Disclosures

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

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

## Common Reporting Standard

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

## Equality Act 2010

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

## Foreign Account Tax Compliance (FATCA)

FATCA is a United States federal law enacted in 2010 whose intent is to enforce the requirement for United States persons (including those living outside the U.S.) to file yearly reports on their non-U.S. financial accounts. As a result of HMRC's change of interpretation on the meaning of shares and securities "regularly traded on an established securities market", investment trusts now need to monitor each year the trading volume and frequency of their shares and securities to assess whether they have financial accounts. The Company will therefore need to make an annual assessment, before the FATCA return is due, to determine if the shares represent financial accounts and, where they do, will need to identify and report U.S. reportable accounts to HMRC, as required.

## General Data Protection Regulation (GDPR)

GDPR came into force on 25 May 2018. It aims to protect and empower individual data privacy and reshape the way organisations approach data privacy. A privacy statement can be found on the website **www.janushenderson.com.**

## ISA

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

## Non-mainstream pooled investments (NMPI) status

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.

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

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

## Performance details/share price information

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

## Shareholder details

Shareholders who hold their shares in certificated form can check their shareholding with the registrar, 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.

## 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.

TR European Growth Trust PLC
Registered as an investment company in England and Wales
Registration Number: 2520734
Registered office: 201 Bishopsgate, London EC2M 3AE

SEDOL/ISIN number: Ordinary Shares: 0906692/GB0009066928
London Stock Exchange (TIDM) Code: TRG
Global Intermediary Identification Number (GIIN): JX9KYH.99999.SL.826
Legal Entity Identifier (LEI): 213800N1B1HCQG2W4V90

Telephone: **0800 832 832**
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**www.treuropeangrowthtrust.com**

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Janus Henderson
INVESTORS

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The Association of
Investment Companies

aic
Shareholder
Communication
Awards
2018
WINNER

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