

HENDERSON EUROTRUST PLC

Annual Report 2016

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		COMPANIES HOUSE	

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Henderson
GLOBAL INVESTORS

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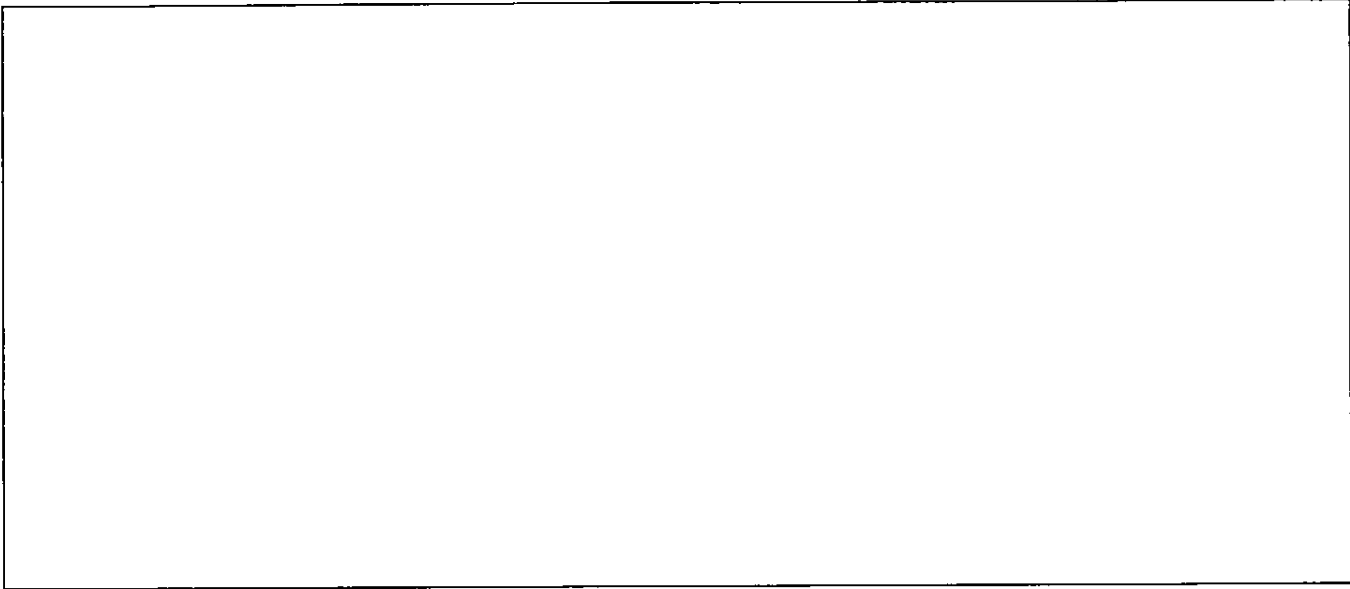
Strategic Report

“The year under review has been challenging, particularly just prior to and after the Brexit referendum. The vote to leave came as a big surprise to markets and, while the share price discount has widened as a consequence, stock markets have held up well and the portfolio has benefited from being invested entirely outside the UK.”

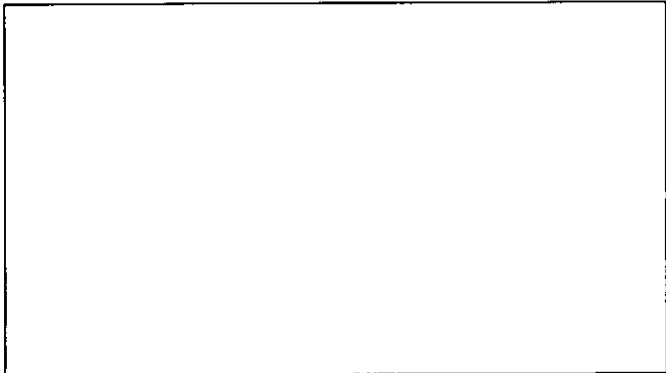
Nicola Ralston, Chairman

Strategic Report: Performance Highlights

Total return performance for year to 31 July 2016

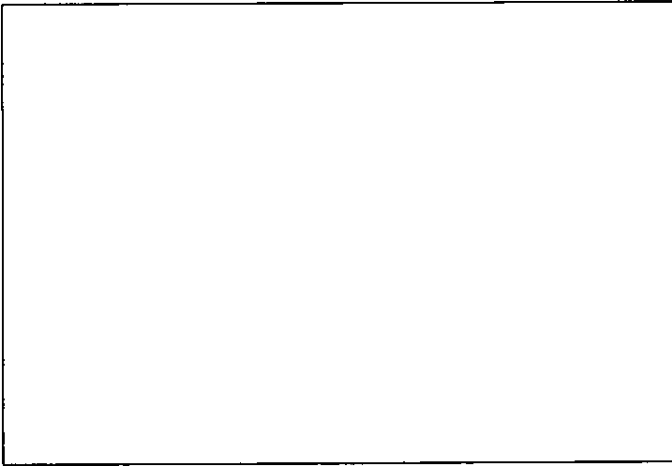


Historical dividend⁴

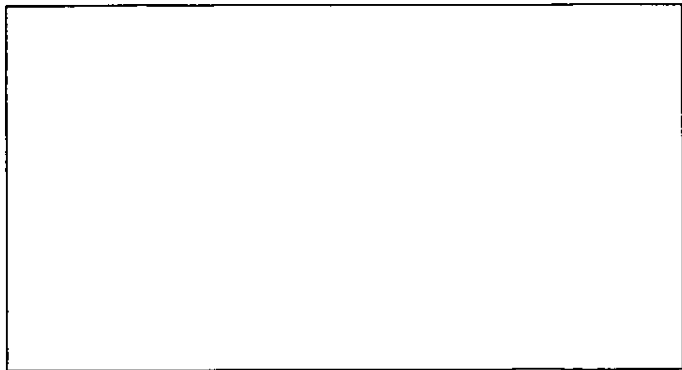


⁴Includes a special dividend of 2.0p

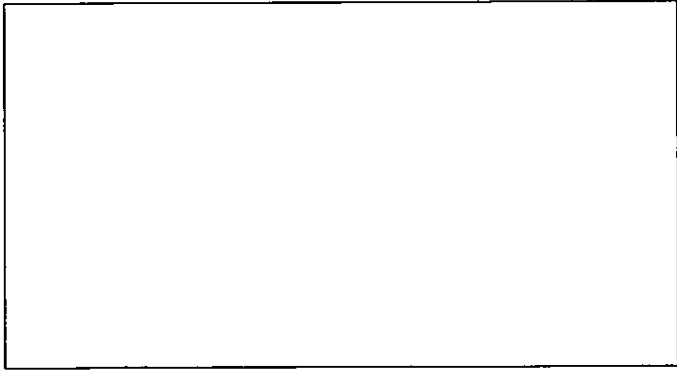
Market capitalisation of the portfolio at 31 July 2016⁵



Ten year NAV and share price performance versus the benchmark to 31 July 2016



NAV and share price performance versus the benchmark over the year to 31 July 2016⁶



Strategic Report: Performance Highlights (continued)

NAV per share at year end	Share price at year end
2016 979.0p 2015 895.0p	2016 899.5p 2015 901.5p
Dividend for year	Dividend yield ⁷
2016 20.0p 2015 18.5p	2016 2.2% 2015 2.1%
Ongoing charge for year ⁸	Gearing at year end
2016 0.87% 2015 0.84%	2016 £1.2m (0.6%) 2015 £6.5m (3.5%)
Number of investments ¹⁰	Premium/(Discount) ⁹
2016 56 2015 52	2016 (8.1%) 2015 0.7%

1 Net asset value per share total return (including dividends reinvested and excluding transaction costs) This is based on preliminary estimates made by the AIC, which is the industry recognised source for performance data, and does not reflect any subsequent change in the year end NAVs reflected in this report

2 FTSE World Europe (ex UK) Index

3 AIC Europe Sector (Peer Group)

4 Ten year historical dividends

5 Market capitalisation weightings of the portfolio and the benchmark

6 Graph shows the Company's net asset value total return and share price total return using the mid market price, compared to the total return of the benchmark over the year to 31 July 2016

7 Based on the share price at the year end

8 Ongoing charge excludes the performance fee The charge including the performance fee is 1.49% (2015 1.35%)

9 Calculated using published daily NAVs including current year revenue

10 Excluding two options and OW Bunker

Sources Morningstar for the AIC, Henderson, Datastream

A glossary of terms is included on pages 18 and 19

Strategic Report: Business Model

Strategy

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

Investment objective

The objective of Henderson EuroTrust plc ("the Company") is to invest predominantly in large and medium-sized companies which are perceived to be undervalued in view of their growth prospects or on account of a significant change in management or structure. The Company aims to achieve a superior total return from a portfolio of high quality European investments.

Management

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

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

The investment management agreement with Henderson is reviewed annually.

Fees

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

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

Fund Manager

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

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

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

Investment policy

Asset Allocation

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

Diversification

Typically there are around 50 holdings in the portfolio, reflecting a diversified mix of business and geographical sectors, but the Company will not hold more than 10% of the share capital of any company. Unquoted investments may be made, although in aggregate these may not amount to more than 10% of the portfolio, and the Company has none at the present time. A full list of the investments in the portfolio at 31 July 2016 is shown on page 9. The largest holding at the year end was in Fresenius Medical Care (3.8%). The top ten holdings amounted to 29.2% of the total investments.

Gearing

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

General

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

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

Strategic Report: Chairman's Statement



The Chairman of the Company, Nicola Ralston, reports on the year to 31 July 2016

The year under review has been challenging, particularly just prior to and after the Brexit referendum. The vote to leave came as a big surprise to markets and, while the share price discount has widened as a consequence, stock markets have held up well and the portfolio has benefited from being invested entirely outside the UK.

Performance

Against this background, I am pleased to report that the net assets of the Company rose by 11.7% on a total return basis, outperforming our benchmark, the FTSE World Europe (ex UK) Index by 4.6% in sterling terms, a very considerable margin. This is the ninth consecutive year of outperformance of the benchmark and is welcome evidence of the strength of our Fund Manager's investment approach. As a consequence of this strong performance, a performance fee has again been earned. Your Board continues to believe that a combination of a lower base fee and a performance fee arrangement is in the best interests of shareholders. The ongoing charge for the year, being the management fee and other non-interest expenses as a percentage of shareholders' funds, was 0.87% (2015: 0.84%) excluding the performance fee and 1.49% (2015: 1.35%) including the performance fee.

Dividends

The Board proposes a final dividend of 14.0p, taking the total distribution for the year to 20.0p, an increase of 8.1% on last year following significant rises in distributions from our companies and benefiting from the depreciation in Sterling during the year. The Board were pleased to be able to increase the level of both the interim and final dividends and will continue to keep the balance between the two under review. Although the yield on our portfolio, at approximately 2.2%, is not high in absolute terms, it is materially above the

level available on cash deposits, and we recognise that dividend growth is important to shareholders. Dividends have been raised every year – by an average annual 13.9% – since 2005 (excluding special dividends).

Share Issues and Buybacks

Your Company's shares have traded consistently at a better rating than most of its peer group. In the early part of the year, demand was such that the shares traded close to net asset value and at times at a premium, which enabled us to issue 450,000 shares in total. We had hoped to continue to issue stock, and expand the assets and hence the liquidity of the Company's shares. In the immediate pre and post Brexit environment, however, significant discounts to Net Asset Value have again become a feature: the discount on the European investment trust sector (in which the Company is categorised), was over 1% at the end of 2015, but briefly rose to over 13% post the Brexit vote. Your shares ended the year at an 8.1% discount, slightly below the discount of nearly 10% for the sector. Given the good performance of Net Asset Value, both in absolute terms and relative to its benchmark index, it is disappointing to see the shares again trading at a significant discount to Net Assets. However, your Board continues to monitor the discount/premium actively and will take action to issue, or to buy back shares where it believes it is in the best interests of shareholders to do so. A small share buy-back of 20,000 shares was completed just prior to the year end at a discount of 12.2%.

Gearing

A modest level of gearing was maintained for most of the year under review, this added value, but the gearing was largely taken off following the Brexit referendum result. At the year-end, gearing was 0.6% of assets. We continue to take an active approach to the use of gearing, and to keep the issue of longer term debt under consideration.

Board

As part of the Board's succession plan, Joop Feilzer will be retiring as a director at the Annual General Meeting. Joop's extensive business experience and his first-hand knowledge of Continental Europe has been invaluable for both the Board and the Fund Manager. We shall miss his wise counsel and advice. I am delighted that Rutger Koopmans has joined the Board in his place. Rutger has widespread experience in Europe in international corporate banking, project finance and corporate finance, as well as insurance, and is already making a positive contribution to your Board's deliberations.

Strategic Report: Chairman's Statement (continued)

Annual General Meeting

Our meeting will be held on Wednesday 16 November 2016 at 2.30pm at Henderson's offices at 201 Bishopsgate, London EC2M 3AE. Full details of the business of the meeting are set out in the Notice which has been sent to shareholders with this report. We would encourage as many shareholders as possible to attend for the opportunity to meet the Board and to watch a presentation from Tim Stevenson reviewing the year and looking forward to the year ahead.

The Company's AGM will be broadcast live on the internet. If you are unable to attend in person, you can watch the meeting as it happens by visiting www.henderson.com/trustslive

Outlook

As the Company is dedicated to invest in European companies outside the UK, we inevitably take a close interest in the consequences of the vote by the UK to leave the European Union, not simply from a UK perspective, but also in respect of potential reform of the Union by the remaining members. The unexpected outcome has focussed attention on the financial stresses associated with ultra-low, or negative, bond yields across Europe and the political consequences of such a low-growth environment. European economies also face a wide range of non-financial pressures, including the continuing migrant crisis and the risk of terrorist attacks. These issues can be resolved only over the medium to long term, if at all, and in the meantime there is plenty of scope for political upheaval in the markets in which we are invested.

Despite these challenges, however, I believe there are a number of reasons for us to have confidence in the outlook for the Company. First, in Tim Stevenson, we have a proven and outstanding Fund Manager, who has been in charge of the Company's investments for over twenty years, and has a track record to be very proud of. Tim and his team's deep knowledge of European companies, and his commitment to seeking out those companies able to achieve consistent growth remain reasons for optimism. Second, many outstanding global businesses are based in Europe, and are in the portfolio on the underlying strength of their product offering regardless of geography. Third, there are good

reasons for thinking that growth in Europe will rise over the next two years, partly because of fiscal expansion on top of already considerable monetary easing. Finally, although the valuation of the companies in our portfolio is higher than that of the market as a whole, the low or, in some cases, negative yields available on supposedly "low risk" investments seem likely to support equities capable of generating a growing income to shareholders. These are the companies which remain the focus of our portfolio.

Nicola Ralston
Chairman
10 October 2016

Strategic Report: Portfolio Information

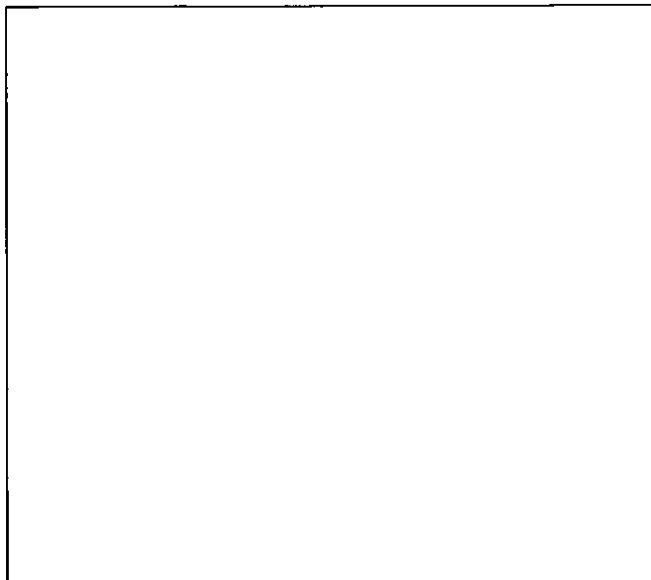
Ten largest investments at 31 July 2016

Ranking 2016	Ranking 2015	Company	Principal activities	Country	Valuation 2016 £'000	% of portfolio
1	8	Fresenius Medical Care	Fresenius Medical Care is a global health care group with products and services for dialysis, the hospital, and the medical care of patients at home www.fmc-ag.com	Germany	7,823	3.75
2	13	Nestle	Nestlé is a leading Nutrition, Health and Wellness Company. The company focuses on science-based nutrition and health solutions for all stages of life, helping consumers care for themselves and their families www.nestle.com	Switzerland	7,464	3.58
3	1	Fresenius	The Fresenius Group includes four independently operated business segments, each one active in a major growth area of healthcare. Fresenius Medical Care is the world leader in treating people with chronic kidney failure. Fresenius Helios is Germany's largest hospital operator. Fresenius Kabi supplies essential drugs, clinical nutrition products, medical devices and services to help critically and chronically ill patients, while Fresenius Vamed plans, develops and manages healthcare facilities www.fresenius.com	Germany	7,045	3.38
4	2	Deutsche Post	Deutsche Post provides businesses and consumers with express, logistics and mail services globally www.deutschepost.de	Germany	5,923	2.84
5	–	SAP	SAP is the world leader in enterprise applications in terms of software and software-related service revenue www.go.sap.com	Germany	5,564	2.66
6	–	Elis	Elis is the leader in the rental and maintenance of linens, professional garments, and hygiene and wellness equipment www.elis.com	France	5,507	2.64
7	25	SGS	SGS is the world's leading inspection, verification, testing and certification company www.sgs.co.uk	Switzerland	5,480	2.63
8	–	Geberit	The globally operating Geberit Group is a European leader in the field of sanitary products www.geberit.com	Switzerland	5,434	2.60
9	16	Partners Group	Partners Group is one of the largest private markets investment managers in the world www.partnersgroup.com	Switzerland	5,367	2.57
10	4	Groupe Eurotunnel	Groupe Eurotunnel is the holder of the Channel Tunnel Concession; its primary activity is the cross-Channel Fixed Link. Le Shuttle is the fastest, most environmentally-friendly and reliable way of crossing the Short Straits www.eurotunnelgroup.com	France	5,262	2.52
					60,869	29.17

Strategic Report: Portfolio Information (continued)

Sector exposure at 31 July

As a percentage of the investment portfolio excluding cash



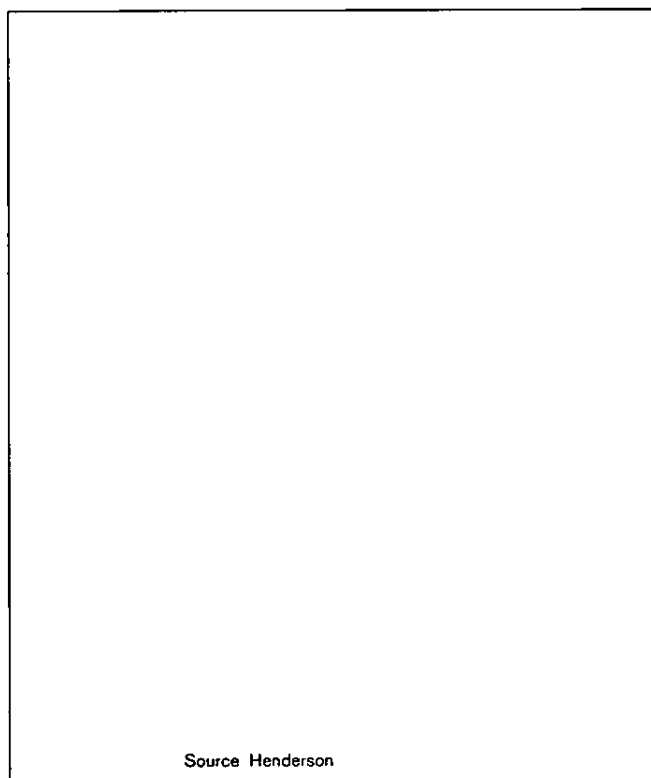
Performance drivers

over the year to 31 July 2016

	%
Benchmark Return	7.1
Sector Allocation	2.1
Stock Selection	2.8
Currency Movements (relative to index)	1.1
Effect of Cash and Gearing	0.1
Effect of Ongoing Charge (including performance fee)	(1.5)
NAV Total Return	11.7

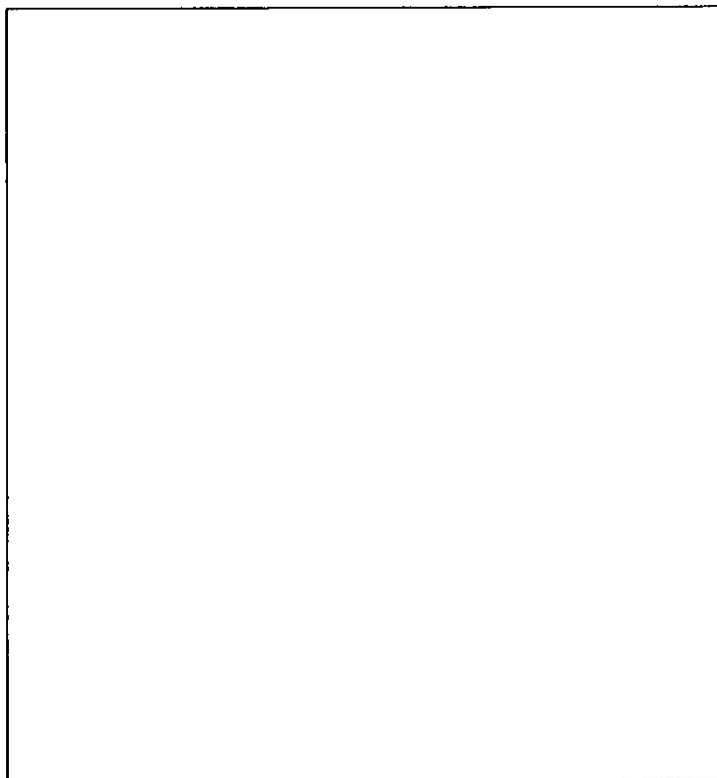
Geographic exposure at 31 July

As a percentage of the investment portfolio excluding cash



Gearing levels

Over the year to 31 July 2016



Strategic Report: Investment Portfolio as at 31 July

Position 2016	Position 2015	Company	Country	Sector	Market Value 2016 £'000	Percentage of Portfolio 2016
1	8	Fresenius Medical Care	Germany	Health Care	7,823	375
2	13	Nestlé	Switzerland	Food Producers	7,464	358
3	1	Fresenius	Germany	Health Care	7,045	338
4	2	Deutsche Post	Germany	Air Freight & Logistics	5,923	284
5	-	SAP	Germany	Software & Computer Services	5,564	266
6	-	Elis	France	Support Services	5,507	264
7	25	SGS	Switzerland	Support Services	5,480	263
8	-	Geberit	Switzerland	Construction & Materials	5,434	260
9	16	Partners Group	Switzerland	Financial Services	5,367	257
10	4	Groupe Eurotunnel	France	Industrial Transportation	5,262	252
Top 10					60,869	29 17
11	10	Essilor	France	Ophthalmology	5,262	252
12	17	Amadeus	Spain	Support Services	5,237	251
13	-	Infineon	Germany	Technology Hardware & Equipment	5,185	249
14	12	Deutsche Telekom	Germany	Telecommunications	5,036	241
15	35	Publicis Groupe	France	Media	4,863	233
16	27	L'Oréal	France	Personal Goods	4,411	211
17	-	Henkel	Germany	Chemicals	4,258	204
18	15	BIC	France	Commercial Supplies	4,194	201
19	45	Rubis	France	Gas Water & Mult utilities	4,108	197
20	-	Heineken	Netherlands	Beverages	4,065	195
Top 20					107,488	51 51
21	34	Hermès	France	Personal Goods	3,885	186
22	5	Sodexo	France	Catering Services	3,811	183
23	-	Nokia	Finland	Technology Hardware & Equipment	3,727	179
24	11	AXA	France	Insurance	3,685	177
25	28	Orange	France	Fixed Line Telecommunications	3,414	164
26	-	Amundi	France	Financial Services	3,368	161
27	9	ING	Netherlands	Banks	3,279	157
28	-	Relx	Netherlands	Media	3,159	151
29	42	Pandora	Denmark	Personal Goods	3,130	150
30	22	Autoliv	Sweden	Automobiles & Parts	3,093	148
Top 30					142,039	68 07
31	-	Total	France	Oil & Gas Producers	3,088	148
32	43	Deutsche Boerse	Germany	Financial Services	3,088	148
33	3	Novartis	Switzerland	Pharmaceuticals & Biotechnology	2,989	143
34	51	Grifols	Spain	Pharmaceuticals & Biotechnology	2,987	143
35	39	Koninklijke Philips	Netherlands	General Industrials	2,983	143
36	40	Statoil	Norway	Oil & Gas Producers	2,830	136
37	-	Ryanair	Ireland	Travel & Leisure	2,777	133
38	7	Intesa Sanpaolo	Italy	Banks	2,756	132
39	49	Munich Re	Germany	Insurance	2,747	132
40	19	Roche	Switzerland	Pharmaceuticals & Biotechnology	2,735	131
Top 40					171,019	81 96
41	33	Christian Dior	France	Personal Goods	2,710	130
42	20	Nordea Bank	Sweden	Banks	2,657	127
43	41	Dassault Systèmes	France	Application Software	2,642	127
44	-	Vinci	France	Construction & Materials	2,571	123
45	50	Valeo	France	Automobiles & Parts	2,542	122
46	-	Sunrise Communications	Switzerland	Fixed Line Telecommunications	2,532	122
47	-	Atlas	Sweden	Industrial Engineering	2,503	120
48	-	Nexity	France	Real Estate Investment & Services	2,400	115
49	29	Dufry	Switzerland	Retailing	2,323	111
50	-	SNAM	Italy	Gas Water & Mult utilities	2,302	110
Top 50					196,201	94 03
51	23	Linde	Germany	Chemicals	2,259	108
52	48	Inditex	Spain	General Retailers	2,210	106
53	21	UBS	Switzerland	Banks	2,160	104
54	6	Credit Agricole	France	Banks	2,113	101
55	-	Van Lanschot	Netherlands	Banks	1,846	089
56	-	Origin	Ireland	Food Producers	1,715	082
57	-	Euro Stoxx Banks Sep 16 Call 100 (Exp 16/09)	Germany	Derivatives	109	005
58	-	Euro Stoxx 50 Dec 16 Put 2850 (Exp 16/12)	Germany	Derivatives	47	002
59	52	OW Bunker ¹	Denmark	Industrial Transportation	-	-
Total					208,660	100 00

1 Unquoted investment

[illegible]

Overview and performance

The income achieved from our holdings has also risen sharply (flattered by the aforementioned depreciation in Sterling), but driven also by profits from our companies which have tended to rise by more than the market average. These higher earnings have in many cases been passed on to shareholders through increased dividends. As a result the Company is proposing to raise the dividend (subject to approval by the shareholders) by 8 1%, giving shareholders a dividend yield of 2.2%. We have now increased the dividend for the last 12 years.

In very simple terms, our policy of investing in "good quality, consistent, reliable companies that can increase their return to us as shareholders" has really paid off over the last twelve and indeed twenty-four months. The result has been a portfolio that has appreciated in value while also paying an income which is well ahead of bank interest rates.

Both performance and income have been enhanced by the utilisation of most of our £15 million borrowing facility since January this year. With the cost of borrowing so low (total cost throughout the year, including the non-utilisation fee, has been £58,000), there is an obvious benefit to being invested in companies that are increasing their earnings and paying a dividend to shareholders. At the end of the year we decided to remove this gearing in the light of the outcome of the UK's referendum vote to leave the European Union ("EU Referendum"). I will add more on this later in this report, one indirect impact has been an increase in the level of turnover in the portfolio to 45.6% (43.6% in the previous year). The best and worst ten performers are set out in the table below.

Top ten contributors to and bottom ten detractors from the return relative to the Benchmark

*Not held in portfolio during the year under review

Strategic Report: Fund Manager's Report (continued)

Each year for the last few years, when writing this report in August just after the Company's financial year-end, I have referred to the ever longer list of worries facing markets. This year is no exception. The outcome of the EU Referendum undoubtedly increases the level of uncertainty throughout Europe. There are likely to be further periods of waning confidence in the Euro, with critical voices emanating from the UK as well as from within the Euro area itself. As I have mentioned in the past, the UK press tends to have an overwhelmingly pro-British/anti-European view, and, in my opinion, that bias understates the economic recovery in Europe and overestimates the resilience of the UK. The weakness in Sterling over the last twelve months does indicate that currency traders share some concern about the UK's vulnerability. The UK Government meanwhile seems willing to use the competitive devaluation tool.

Notwithstanding those comments, there is growing frustration at low growth in Europe, and high unemployment in many countries. Recent trends have nevertheless been better, with unemployment declining in those areas worst affected. Industrial production and retail sales are improving and government debt is stabilising or even declining. Bearing in mind my long-held view that we are stuck in an environment of low growth, there is at least some solace in looking at a small trend of improvement – the glass is as half full as it is half empty.

The next eighteen months will see a number of political uncertainties, including the presidential elections in the USA. However, the elections in France will be stressful and criticism of Chancellor Merkel is increasing as well. Before that, the referendum called on electoral reform in Italy (which makes complete sense) risks being hijacked and turned into a referendum on Prime Minister Renzi.

There continues to be an underlying tension in the markets, which has continued for some years but at some stage may reach a level which could cause a sharp correction. That tension is the ever lower interest rates as the ECB holds rates at a negative level, forcing many ten year bond yields to fall into negative territory, balanced against investors looking for any place to gain an income. These lower interest rates are supporting a large part of the market, as companies that can reliably compound their earnings and dividends do just that and get revalued, while some areas such as banks look ever weaker. If governments decide to move down a more fiscally expansive route (bearing in mind that many are better positioned than a few years ago, albeit a "less bad" rather than a "good" situation), then bond prices may decline as interest rates start to rise, even by a small amount. This may have repercussions on the equity market, but I believe these are manageable and ultimately positive.

Portfolio Changes and Approach

We have allowed the number of holdings to expand to 56 (excluding derivatives and unquoted investments) over the last year, slightly above our usual 50 – 55 holdings. There have been thirteen total sales (Atlanta, SCA, Bayer, Aareal Bank, Smurfit Kappa, Pro Sieben, Brembo, Swatch, Telefonica, Lundin Petroleum, Maersk, Legrand and Continental). Some of these have been a switch to a preferred stock in the same sector, for example Lundin Petroleum was sold and Total replaced it, a more mature company which pays a dividend. Also Sunnse in Switzerland replaced Telefonica. Other reasons for sales have been the prospect of weak earnings for some time to come, (Swatch, Maersk) due to the nature of the business they are in.

Additions have included names which we have held in the past, such as SAP where we feel the heavy investment over the last few years

will start to show returns in the next few years. We have also added a holding in Gebert, a Swiss listed maker of what is delightfully known as "bathroom furniture". The shares had fallen back after a recent large acquisition, providing a good opportunity to invest in a superb cash-generating company. We have returned to Ryanair, where the company is now generating plenty of cash after many years of expansion, and dividends have returned to the agenda. We are often encouraged by a company that can expand their business while also offering an income to shareholders.

Other holdings new to the portfolio are Elis in textile services in Europe, and Amundi which listed last year and is one of Europe's largest fund management companies. I remain convinced that offering a cost-efficient, reliable and robust savings product to the mass of savers in Europe will be a huge market. Every government in the West cannot continue to pay pensions from tax revenue as is currently the case. Simply put, governments are doing their best to shift the burden of funding pensions from the State to the individual. We have also returned to adhesives group Henkel in Germany, giving us a slightly more cyclical element in the Company.

A defining factor is under-exposure to the banking sector where we remain concerned that low interest rates merely accentuate the problems of low demand for loans. We are overweight in Industrials, although the truly economically sensitive names are limited to Atlas Copco, which I am pleased has returned to the portfolio after an absence of some years, and Deutsche Post.

Outlook

I continue to believe that economic growth will remain slow on a worldwide basis. Emerging Markets are also growing at slower rates than in the past. Low inflation/no inflation has meant that pricing power is dependent on innovation or scarcity. With extremely low or even negative interest rates, merger and acquisition activity is already picking up, and companies are (at the risk of generalising) redirecting more cash to shareholders and less to investment. There is good and bad in this, but this is the world we live in. As I have mentioned so often in these reports, we must try to remain patient and vigilant with our holdings, and participate in their future.

I suspect that we will be hearing more on fiscal expansion and hear of governments trying to stimulate economic growth more dynamically, as far as their finances permit. With crucial elections in Germany and France, political uncertainty in Spain and a significant referendum on electoral reform in Italy, politics will inevitably play a role in the year ahead. In the context of the UK, we continue to be one of the few remaining Investment Trusts concentrating purely on Europe excluding the UK, and as such have benefited from the devaluation of Sterling. With inflation likely to rise sharply in the UK over the next year, we are alert to the risk that Sterling may rally if the Bank of England decides that rates must rise.

It remains a difficult and complex world, with the contradictions of ever lower bond yields potentially causing strains in the bond markets if and when inflation starts to increase in Europe. While much remains unpredictable, I am confident that we are invested in some of the best companies in Europe and, in many cases, the world.

Tim Stevenson
Fund Manager
10 October 2016

Strategic Report: Historical Performance and Financial Information

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

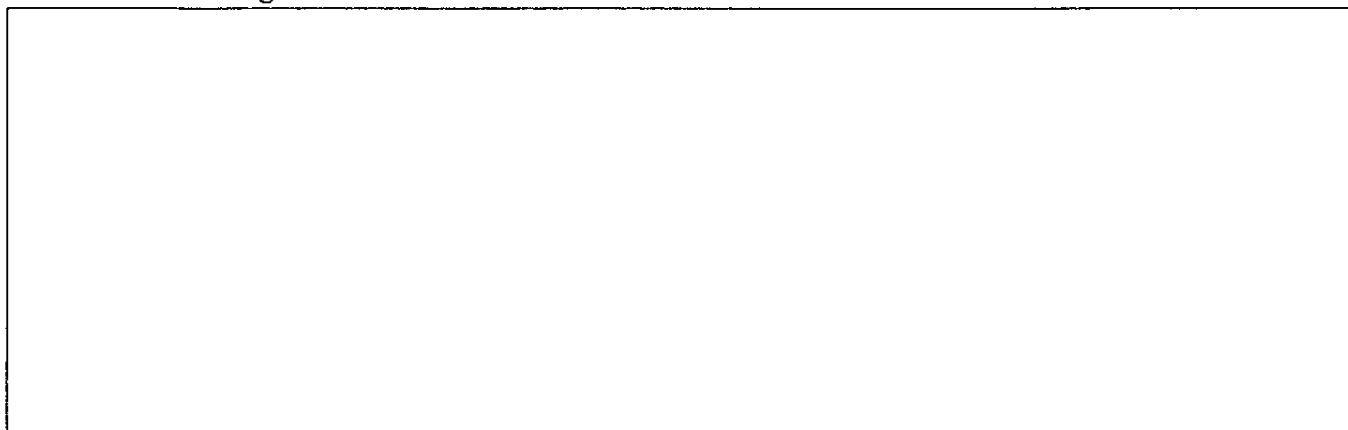
	1 year %	3 years %	5 years %	10 years %
Net asset value per ordinary share ¹	11.7	34.1	76.3	150.4
Share price ²	2.0	32.5	87.9	154.2
AIC Europe Sector (Peer Group) Average – net asset value ³	7.6	28.7	65.2	116.4
FTSE World Europe (ex UK) Index	7.1	22.2	45.0	84.5

¹ Source: Morningstar for the AIC using cum income fair value NAV for one, three and five years and capital NAV plus income reinvested for 10 years

² Based on the mid-market share price

³ Size weighted average (shareholders' funds)

NAV movement against indices since launch



Financial information

Year ended	Net Asset Value per Ordinary Share (p)	Share price percentage premium/ (discount) to Net Asset Value per Ordinary Share (%)	Revenue return per Ordinary Share (p)	Dividends per Ordinary Share (p)
31 July 2006	473.9	(7.1)	5.7	5.5
31 July 2007	552.6	(6.5)	6.1	6.0
31 July 2008	527.8	(11.1)	10.1	10.0 ⁴
31 July 2009	487.8	(9.4)	12.4	11.0 ⁴
31 July 2010	549.0	(10.7)	12.1	11.0
31 July 2011	624.7	(13.2)	17.6	15.0
31 July 2012	580.2	(12.7)	17.0	16.5
31 July 2013	778.0	(6.9)	17.3	17.0
31 July 2014	803.2	(0.9)	17.6	17.5
31 July 2015	895.0	0.7	18.3	18.5
31 July 2016	979.0	(8.1)	23.5	20.0

⁴ Includes a special dividend of 2.0p

Source: Factset, Morningstar for the AIC, Henderson

Strategic Report: Corporate Information

Directors

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

Nicola Ralston

Position Chairman of the Board, Nominations and Management Engagement Committees

Date of appointment 1 September 2013 (Chairman 24 March 2014)
Nicola has over thirty years' investment experience and is a director and co-founder of PiRho Investment Consulting, which focuses on bespoke investment advice to a wide range of institutional funds. Nicola previously spent over 20 years in fund management at Schroders and was formerly Head of Global Investment Consulting at Hewitt (now Aon Hewitt). Nicola is currently Chair of CFA Institute's Capital Markets Policy Council and of the Investment Committee of the British Heart Foundation. She is a director of Centrica Combined Common Investment Fund Limited. She was formerly a Governor of CFA Institute and a director of The Edinburgh Investment Trust plc.

John Cornish

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

Date of appointment 6 November 2007 (Chairman of Audit Committee)

John previously was a partner at Deloitte LLP where he led the firm's services to the investment trust industry. Subsequently he was appointed to the boards of a number of investment trust companies and as Chairman of Framlington Innovative Growth plc. Currently he is a director of RIT Capital Partners plc.

Rutger Koopmans

Position Director

Date of appointment 18 May 2016

Rutger is an experienced senior finance professional and was appointed to the Board in May 2016. He started his career at MeesPierson NV (formerly, Bank Mees & Hope NV), before moving to ING Group, where he served as a Managing Director until 2008. Since then, he has been running an independent strategic advisory practice, he is partner at M-Partners Asset Management and he sits on the Board of Advisors of BNP Investment Partners. Rutger is a CEO of a start-up called Biomass Feedstock BV. He also holds a number of non-executive directorships in Office Depot Europe BV (Chairman), Boverij Insurance Company NV, ABS Autoherstel BV and Vollenhoven Olie BV. He is also partner and joint owner of KVS Connect BV.

Joop Feilzer

Position Director

Date of appointment 6 November 2007

Joop is the Chairman of the Investment Committee of the Protestant Church in Amsterdam and director of Ambachtsheerlijkheid Cromstrijen. He is also a director of Holding Nationale Goede Doelen Loterijen NV. Joop held various executive positions at the Fortis and Fortis Bank group of companies for a number of years, and was formerly a member of the Supervisory Board of the Autoriteit Financiële Markten, the body which regulates the Dutch Financial Sector, director of various BNP Paribas companies and of AG Insurance. He is a former Vice Chairman of CTP Property NV.

David Marsh, CBE

Position Director

Date of appointment 24 May 2011

David is Managing director of the Official Monetary and Financial Institutions Forum ('OMFIF') and member of the Advisory Board of Quantum Advisory LLP. He is a former deputy Chairman of German-British Forum and board member of the British Chamber of Commerce in Germany. A former 'Financial Times' journalist, David is a frequent media commentator and the author of five books including 'The Euro – the Battle for the New Global Currency' and 'Europe's Deadlock'. Currently, he is Chairman of the advisory board London & Oxford Capital Markets plc.

Strategic Report: Corporate Information (continued)

Registered office

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

Service providers

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

Depository and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Stockbrokers

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

Corporate Secretary

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

Registrar

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

Independent Auditor

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

Financial calendar

Annual results	announced October 2016
Ex dividend date	20 October 2016
Dividend record date	21 October 2016
Annual General Meeting ¹	16 November 2016
Final dividend payable on	23 November 2016
Half year results	March 2017

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

Information sources

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

HGi

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

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



Follow Henderson Investment Trusts on Twitter, YouTube and Facebook



Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website. Individuals holding shares through Halifax Share Dealing Limited can write to them at Lovell Park Road, Leeds LS1 1NS or contact them via telephone 03457 22 55 25, email henderson@halifax.co.uk or visit their website www.halifax.co.uk/sharedealing

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

Nominee share code

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

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

Strategic Report: Corporate Information (continued)

Status

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

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

Principal risks and uncertainties

The Board, with the assistance of Henderson, has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. In carrying out this assessment, the Board considered the market uncertainty arising from the result of the UK referendum on leaving the European Union.

The Board has drawn up a matrix of risks facing the Company and has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, in order to mitigate these risks as far as practicable. The principal risks which have been identified and the steps taken by the Board to mitigate these are as follows:

Investment activity and performance

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

Portfolio and market

Although the Company invests almost entirely in securities that are quoted on recognised markets, share prices may move rapidly. The companies in which investments are made may operate unsuccessfully, or fail entirely. A fall in the market value of the Company's portfolio would have an adverse effect on shareholders' funds. The Board reviews the portfolio at each meeting and mitigates risk through diversification of investments in the portfolio.

Regulatory

A breach of Section 1158 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the UKLA Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Act 2006 could lead to criminal proceedings, or financial or reputational damage. Henderson is contracted to provide investment, company secretarial, administration and accounting services through qualified

professionals. The Board receives internal controls reports produced by Henderson on a quarterly basis, which confirm regulatory compliance.

Operational

Disruption to, or failure of, the Manager's accounting, dealing or payment systems or the custodian's records could prevent the accurate reporting and monitoring of the Company's financial position. The Company is also exposed to the operational risk that one or more of its service providers may not provide the required level of service.

Details of how the Board monitors the services provided by Henderson and its other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal controls section of the Corporate Governance Statement on page 28. Further details of the Company's exposure to market risk (including market price risk, currency risk and interest rate risk), liquidity risk and credit and counterparty risk and how they are managed are contained in Note 14 on pages 46 to 52.

Borrowing

The Company has in place an unsecured loan facility which allows it to borrow as and when appropriate. £15 million is available under the facility. The maximum amount drawn down in the year under review was £15.0 million (2015: £14.9 million), with borrowing costs for the year totalling £47,000 (2015: £56,000). £1.3 million (2015: £8.0 million) of the facility was in use at the year end. Actual gearing at 31 July 2016 was 0.6% (2015: 3.5%) of net asset value.

Viability Statement

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

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

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

The Directors do not expect there to be any significant change in the current principal risks and adequacy of the mitigating controls in place. Also the Directors do not envisage any change in strategy or objectives or any events that would prevent the Company from continuing to operate over that period as the Company's assets are liquid, its commitments are limited and the Company intends to

Strategic Report: Corporate Information (continued)

continue to operate as an investment trust. Only a substantial financial crisis affecting the global economy could have an impact on this assessment. Whilst there is currently uncertainty in the markets following the UK referendum result to leave the European Union, the Directors do not believe that this will have a long term impact on the viability of the Company and its ability to continue in operation.

Based on this assessment, the Directors have 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.

Future developments

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

Key performance indicators

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

Performance measured against the benchmark

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

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

The Board continually monitors the level of the Company's premium/discount to NAV and at Board meetings, looks at ways of managing this, and reviews the average premium/discount of the peer group companies in the AIC Europe sector.

In accordance with the authority granted at the last Annual General Meeting ("AGM"), and which the Directors seek to renew at the forthcoming Meeting, the Company retains the flexibility to repurchase shares when it sees fit. The Board will continue to instruct purchases as required and in accordance with the authority.

The Company publishes its NAV per share figure on a daily basis, through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the AIC formula and since 1 June 2008 has included current financial year revenue, the same basis as that calculated for the financial statements. The NAV excluding current financial year revenue is also published for historical comparison.

Performance against the Company's peer group

The Company is included in the AIC Europe Sector. In addition to comparison against the stated benchmark, the Board also considers the performance of its peer group at each Board meeting.

Ongoing charge

The ongoing charge reflects those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund, excluding the costs of acquisition or disposal of investments, financing costs and gains or losses arising on investments and performance fees. The ongoing charge is based on actual costs incurred in the year as being the best estimate of future costs. The Board reviews the ongoing charge and monitors the expenses incurred by the Company. Ongoing charge at 31 July 2016 was 0.87% (2015: 0.84%) of net asset value.

The charts and tables on pages 2, 3, 8 and 12 show how the Company has performed against these KPIs.

Corporate responsibility

Responsible investment

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

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

Voting policy and the UK stewardship code

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

The Henderson responsible investment policy and further details of Henderson's responsible investment activities can be found on its website.

Strategic Report: Corporate Information (continued)

Employees, social, community, human rights and environmental matters

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

Henderson's corporate responsibility statement is included on the website stated above. In 2012 it was granted Carbon Neutral Company status which it has committed to maintain at least until the end of 2018.

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

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

Modern Slavery Act 2015

As an investment vehicle the Company does not provide goods or services in the normal course of business, and does not have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015.

Board diversity

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

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

On behalf of the Board

Nicola Ralston
Chairman
10 October 2016



Strategic Report: Glossary

Alternative Investment Fund Managers Directive ("AIFMD")

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

Association of Investment Companies ("AIC")

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

Benchmark

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

Custodian

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

Depositary

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

Derivative

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

Dividend dates

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

Gearing

Gearing means borrowing money to buy assets with the expectation that the return on investments bought will exceed the interest cost of the borrowings. The gearing percentage reflects the amount of borrowings (e.g. bank loans or overdrafts) the Company has used to invest in the market and is calculated by taking the difference between total investments and equity shareholders' funds, dividing this by equity shareholders' funds and multiplying by 100. The Company can also use synthetic gearing through derivatives and foreign exchange hedging.

Investment trusts

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

Liquidity

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

Market capitalisation ("market cap")

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

Strategic Report: Glossary (continued)

Net asset value ("NAV") per ordinary share

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

Ongoing Charge

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

Premium/discount

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

Revenue return per ordinary share

The revenue return divided by the weighted average number of ordinary shares in issue during the year.

Total return performance

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

Yield

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

Warning to shareholders

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

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

If you are in any doubt about the veracity of an unsolicited phone call, please call the Company Secretary at the number provided on page 14.

Corporate Report

Report of the Directors

The Directors present the audited financial statements of the Company and their report for the year from 1 August 2015 to 31 July 2016. Henderson EuroTrust plc ("the Company") (registered in England & Wales with company registration number 2718241) was active throughout the year under review and was not dormant.

Directors' Remuneration and Shareholdings

The Directors' Remuneration Report on pages 24 and 25 provides information on the remuneration and interests of the Directors.

Directors' Conflicts of Interest

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

Related Party Transactions

The Company's transactions with related parties in the year were with its Directors, and Henderson. There have been no material transactions between the Company and its Directors during the year and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable at the year end. Directors' shareholdings are disclosed on page 24.

In relation to the provision of services by Henderson, other than fees payable by the Company in the ordinary course of business and the provision of sales and marketing services there have been no material transactions with Henderson affecting the financial position of the Company during the year under review. More details on transactions with Henderson, including amounts outstanding at the year end, are given in note 18 on page 54.

Share Capital

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

and no agreement which the Company is party to that affects its control following a takeover bid. To the extent that they exist, the revenue profits of the Company (including accumulated revenue reserves) are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to the Shareholders pro rata to their holding of ordinary shares.

At 31 July 2015 there were 20,755,541 shares in issue. During the year, 450,000 shares (representing 2.2% of the number of shares in issue at the beginning of the year) were issued to JPMorganCazenove at a price range of 860 Op – 905 Op for total proceeds (net of commission) of £3,948,000. In addition 20,000 shares were bought back at a price of 844 Op and are held in treasury. Shares held in treasury do not carry voting rights. At 31 July 2016 the number of ordinary shares in issue (with voting rights) was 21,185,541.

The Directors seek annual authority from the shareholders to allot new shares, to disapply pre-emption rights and to buy back shares for cancellation or to be held in Treasury. At the AGM held in November 2015 the Directors were granted authority to buy back 3,171,215 shares. At 14 July 2016 20,000 ordinary shares had been bought back from this authority and cancelled. The Directors have remaining authority to purchase 3,151,215 shares. This authority will expire at the conclusion of the 2016 AGM. The Directors intend to renew this authority subject to shareholder approval.

Holdings in the Company's Shares

Declarations of interests in the voting rights of the Company as at 31 July 2016 in accordance with the disclosure and transparency rules were as follows:

Shareholder	% of voting rights
Brewin Dolphin	14.99
Investec Wealth & Management	10.99
Henderson Global Investors	10.95
Royal Bank of Scotland	4.98
1607 Capital Partners	4.78

No changes have been notified in the period 1 August 2016 to 2 October 2016.

At 31 July 2016, 3.99% of the issued ordinary shares were held on behalf of participants in the Halifax Share Dealing products, which is part of Lloyds Banking Group. The participants in this scheme are given the opportunity to instruct the relevant nominee company to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company.

Report of the Directors (continued)

Global Greenhouse Gas Emissions

As an externally managed investment company, the Company has no greenhouse gas emissions to report from its operations for the year to 31 July 2016 (2015 same), nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013

Corporate Governance

The Corporate Governance Statement set out on pages 26 to 29 forms part of the Report of the Directors

Annual General Meeting ("AGM")

The AGM will be held on Wednesday 16 November 2016 at 2.30 p.m. at the Company's registered office. The Notice and details of the resolutions to be put at the AGM are contained in the separate letter being sent to shareholders with this report. The AGM will be live streamed so that shareholders who are unable to attend in person can view the meeting online at www.henderson.com/trustlive

Other Information

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

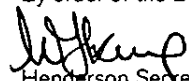
Directors' Statement as to Disclosure of Information to Auditors

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

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard, other than in accordance with LR 9.8.4(7), the information of which is detailed on page 21 under Share Capital

By order of the Board



Henderson Secretarial Services Limited

Corporate Secretary

10 October 2016

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report including the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the net return or loss of the Company for that year. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

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

Statement under DTR 4.1.12

Each of the Directors, who are listed on page 13, confirms that, to the best of his or her knowledge

- the Company's financial statements, which have been prepared in accordance with UK Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company, and
- the Strategic Report and financial statements include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces

Signed for and on behalf of the Board

Nicola Ralston
Chairman
10 October 2016



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

The maintenance and integrity of the website is the responsibility of Henderson; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the

auditors accept no responsibility for any changes that may have occurred to the Annual Report since it was initially presented on the website.

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

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 ("the Regulations"). The report also meets the relevant requirements of the Companies Act 2006 ("the Act") and the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles relating to Directors' remuneration. As required by section 439 of the Act, an ordinary resolution to approve the report will be proposed at the Annual General Meeting on 16 November 2016. The Company's remuneration policy was approved by Shareholders at the AGM in 2014, in accordance with section 439A of the Act. No changes to the current policy are proposed.

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

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

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

Remuneration policy

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

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

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

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

Annual statement

As Chairman, Nicola Ralston reports that there have been no changes to Directors' remuneration. Fees continue to be reviewed annually.

Annual report on remuneration

Directors' interests in shares (audited)

	Ordinary shares of 5p	
	31 July 2016	31 July 2015
Nicola Ralston	12,000	6,000
John Cornish	6,000	6,000
David Marsh	7,300	7,300
Joop Feilzer	50,000	30,000
Rutger Koopmans*	4,900	n/a

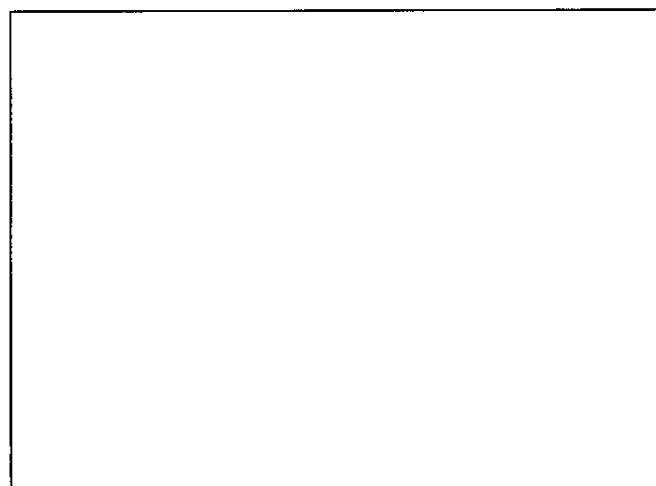
*Appointed on 18 May 2016

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

There have been no other changes to the Directors' holdings in the period 1 August 2016 to 7 October 2016.

Performance

The graph below compares the mid-market price of the Company's ordinary shares over the seven year period ended 31 July 2016 with the return from the FTSE World Europe (ex UK) Index over the same period.



Directors' Remuneration Report (continued)

Directors' Remuneration (audited)

The remuneration paid to the Directors who served during the years ended 31 July 2016 and 31 July 2015 was as follows

	Year ended 31 July 2016 Total salary and fees £	Year ended 31 July 2015 Total salary and fees £	Year ended 31 July 2016 Taxable benefits £	Year ended 31 July 2015 Taxable benefits £	Year ended 31 July 2016 Total £	Year ended 31 July 2015 Total £
Nicola Ralston ¹	30,000	30,000	–	116	30,000	30,116
John Cornish ²	27,000	27,701	–	–	27,000	27,701
David Marsh	22,000	22,000	–	–	22,000	22,000
Joop Feilzer	22,000	22,000	–	–	22,000	22,000
Rutger Koopmans ³	4,492	–	–	–	4,492	–
Total	105,492	101,701	–	116	105,492	101,817

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 and Senior Independent Director

³ Appointed on 18 May 2016

The fees paid to the Directors are Chairman £30,000, Audit Committee Chairman £25,000 and Directors £22,000. The fees were increased with effect from 1 August 2014. Prior to this the fee level was Chairman £25,000, Audit Committee Chairman £20,000, Director £18,000.

John Cornish also receives an additional fee of £2,000 per annum for the position of Senior Independent Director, a position he was appointed to on 26 March 2014. No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former Directors or third parties specified by any of them.

Relative importance of spend on pay

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

	2016 £'000	2015 £'000	Change £'000
Total remuneration paid to Directors	105	102	3
Ordinary dividend paid during the year	4,022	3,678	344
Buy-back of ordinary shares	169	–	169

Statement of voting at AGM

At the 2015 AGM 5,744,302 votes (99.76%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 11,454 (0.20%) were against, 2,136 (0.04%) were discretionary and 25,248 were withheld, the percentage of votes excludes votes withheld. In relation to the approval of the Remuneration Policy in November 2014, 6,232,284 (97.32%) were received voting for the resolution, 171,929 (2.68%) were against and 544,733 were withheld. The percentage of votes excludes votes withheld and no discretionary votes were received in 2014.

For and on behalf of the Board

Nicola Ralston
Director
10 October 2016



Corporate Governance Statement

Applicable corporate governance codes

The Board is accountable to shareholders for the governance of the Company's affairs. As an investment trust, the Company's day-to-day responsibilities are delegated to third parties, the Company has no employees and the Directors are all non-executive. Therefore not all the provisions of the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council ("FRC") in September 2014 are directly applicable to the Company. The Board has therefore considered the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies in February 2015 (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the applicable principles set out in the UK Code as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The FRC has confirmed that by following the AIC Guide, boards of investment companies should fully meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

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

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

Statement of compliance

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

The UK Code includes provisions relating to

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

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

Directors

Directors' appointment and retirement

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

Rutger Koopmans will stand for election at this year's AGM, following his appointment to the Board on 18 May 2016.

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

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

The contribution and performance of the Director seeking re-election was reviewed by the Nominations Committee at its meeting in July 2016, which recommended to the Board the continuing appointment of that Director.

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

Directors' independence

All Directors have a range of other interests and are not dependent on the Company itself. At the Nominations Committee meeting in July 2016, the Directors reviewed their independence and confirmed that all Directors remain wholly independent of Henderson. The Board believes that length of service does not diminish the contribution from a Director as experience and knowledge of the Company is a positive factor and should not impact a Director's independence. It believes that longer serving Directors are less likely to take a short-term view, which is supported by the AIC Code. The Board has determined that all Directors are independent in character and judgement and that their individual skills, broad business experience and high degree of knowledge and understanding of the Company are of great benefit to shareholders.

John Cornish is the Company's Senior Independent Director.

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

Directors' professional development

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

Corporate Governance Statement (continued)

Directors' insurance and indemnification

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

The Board

Board composition

The Board currently consists of five non-executive Directors and the biographies of those holding office at the date of this report are included on page 13. Those details demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors. All Directors served throughout the year, with the exception of Rutger Koopmans who was appointed on 18 May 2016. Joop Feilzer and Rutger Koopmans are resident in the Netherlands. The rest of the Board is resident in the UK.

Responsibilities of the Board and its Committees

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

The Board is responsible for the approval of annual and half year results and other public documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Company's position and prospects. The Directors confirm that they are satisfied that the Annual Report for the year ended 31 July 2016, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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

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

Committees of the Board

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

The terms of reference for these Committees are available on the website www.hendersoneurotrust.com or via the Corporate Secretary. The Company also has an Insider Committee to deal with the obligations of the Market Abuse Regulations which came into force on 3 July 2016.

A separate remuneration committee has not been established as the Board consists of only non-executive Directors. The whole Board is responsible for setting Directors' fees in line with the remuneration policy set out on page 24, which is subject to periodic shareholder approval.

Audit Committee

The Audit Committee comprises all of the Directors and is chaired by John Cornish, who is a chartered accountant. The other Audit Committee members have a combination of financial, investment and other experience gained throughout their careers and the Board is satisfied that at least one of the Committee's members has recent and relevant financial experience. All members of the Audit Committee are independent. The Report of the Audit Committee, which forms part of this Corporate Governance Statement can be found on pages 30 and 31.

Nominations Committee

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

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

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

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

Corporate Governance Statement (continued)

The Committee met in July 2016 to carry out its annual review of the Board, its composition and size and its Committees. The results of the performance evaluation are detailed below.

Management Engagement Committee

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

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

The Committee met in July 2016 to carry out its annual review of Henderson, the results of which are detailed on page 29.

Insider Committee

All the directors are members of the Insider Committee, which is chaired by the Chairman of the Board. The Committee is responsible for overseeing the disclosure of information by the Company to meet its obligations under the Market Abuse Regulations which came into force on 3 July 2016 and the Financial Conduct Authority's Listing Rules and Disclosure Guidance and Transparency Rules.

Board attendance

The table below sets out the number of Board and Committee meetings held during the year under review and the number of meetings attended by each Director. All Directors attended the AGM in November 2015.

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

AC: Audit Committee

MEC: Management Engagement Committee

NC: Nominations Committee

*Appointed on 18 May 2016

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

Performance evaluation

The performance of the Company is considered in detail at each Board meeting. In the year under review the Board has conducted a review of its own performance, together with that of its Committees, the Chairman and each individual Director. This was conducted by way of an evaluation questionnaire. The results of the questionnaire were supplied to the Chairman who collated the results and provided a summary to the Board. The Senior Independent Director

collated the responses and provided a summary in respect of the evaluation of the Chairman. It was concluded that each were satisfactory and the Board has a good balance of skills and experience. In particular, it is considered that each of the Directors makes a significant contribution to the affairs of the Company and the Chairman continues to display effective leadership and that Directors seeking re-election at the Company's AGM merit re-election by shareholders.

Internal controls

The Board has established an ongoing process for identifying, evaluating and managing any major risks faced by the Company. The process accords with advice issued by the FRC and is subject to regular review by the Board. The Board has overall responsibility for the Company's system of internal controls and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has reviewed the effectiveness of the Company's system of internal controls for the year ended 31 July 2016. During the course of its review the Board has not identified or been advised of any failings or weaknesses that have been determined as significant. All business risks faced by the Company are recorded in a risk map which is reviewed periodically.

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

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

Accountability and relationship with Henderson

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 23, the Independent Auditors' Report on pages 32 to 36 and the Viability Statement on page 15 and 16.

The Board has delegated contractually to external third parties, including Henderson, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets

Corporate Governance Statement (continued)

which is delegated through the appointment of the depositary as explained on page 18), the day-to-day accounting, company secretarial and administration requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

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

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

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

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

Continued appointment of Henderson

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

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

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

Share capital

Please see the Report of the Directors on page 21.

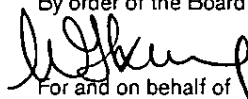
Relations with shareholders

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with its shareholders is through the half year results and Annual Report which aim to provide shareholders with a clear understanding of the Company's activities and their results. This information is supplemented by the daily calculation and publication of the NAV per share to a regulatory information service and a monthly fact sheet which is available on the website. Henderson also provides information on the Company and Fund Manager videos on the website, via various social media channels and through its HGI content platform, more details of which are included on page 14.

The Board considers that shareholders should be encouraged to attend and participate in the AGM which will also be available to watch live at www.henderson.com/trustslive. Shareholders have the opportunity to address questions to the Chairman of the Board, the Chairman of the Audit Committee and all other Directors at the meeting and the Fund Manager will make a presentation to shareholders. A summary of the proxy votes received on the resolutions proposed is displayed at the meeting and each substantial issue is dealt with in a separate resolution. It is the intention of the Board that the Annual Report and notice of AGM be issued to shareholders so as to provide at least 20 working days' notice of the meeting. These documents are also included on the website. Shareholders wishing to lodge questions in advance of the meeting, or raise issues or concerns at any time, are invited to do so by writing to the Chairman at the registered office address given on page 14 of this report.

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

By order of the Board



For and on behalf of
Henderson Secretarial Services Limited
Corporate Secretary
10 October 2016

Report of The Audit Committee

Composition

The Audit Committee comprises all of the Directors and is chaired by John Cornish, who is a chartered accountant. The other Audit Committee members have a combination of financial, investment and other experience gained throughout their careers and the Board is satisfied that at least one of the Committee's members has recent and relevant financial experience. The biographies of the Audit Committee members are shown on page 13. All members of the Audit Committee are independent.

Meetings

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

Role and responsibilities

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

- consideration of the appropriateness of the Company's accounting policies,
- a review of the half year results and the Annual Report, including the disclosures made therein in relation to internal controls and risk management, viability, going concern and related parties and consideration of whether the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy in order to make recommendations to the Board. In assessing whether the report is fair, balanced and understandable, each Director reviewed the disclosures made, applying their respective knowledge and expertise. The internal controls over financial reporting were also considered, together with feedback from the Company's auditors, Henderson and the Corporate Secretary,
- consideration of the quality and effectiveness of the accounting records and management information maintained on behalf of the Company, relying on meetings with and reports from Henderson,
- consideration of the valuation of the Company's unquoted investments for recommendation to the Board,
- consideration of the appropriate level of dividend to be paid by the Company for recommendation to the Board,
- consideration of the internal controls in place at Henderson and BNP Paribas Securities Services as administrator and Henderson's policies in relation to cyber risk and business continuity, meeting with representatives of Henderson's internal audit and risk departments periodically,
- consideration of the key risk, risk management systems in place and the Company's risk map,
- consideration of the Company's anti-bribery policy,
- consideration of the nature and scope of the external audit and the findings therefrom,
- annual consideration of whether there is a need for an internal audit function, as described on page 28,
- consideration of the appointment of the auditors and their performance and remuneration, including the consequences of the appointment of PricewaterhouseCoopers LLP ("PwC") as auditors to Henderson (see page 31),
- consideration of the auditors' independence, objectivity, effectiveness and the provision of any non-audit services (as explained further on page 31) and the reporting of the external auditor,
- consideration of the whistle blowing policy that Henderson has put in place for its staff to raise concerns about possible improprieties, including in relation to the Company, in confidence. The policy includes the necessary arrangements for independent investigation and follow up action,
- consideration of the management fee and performance fee calculations, and
- consideration of the annual confirmation from the Company's depositary

Report of The Audit Committee (continued)

Annual Report for the year ended 31 July 2016

In relation to the Annual Report for the year ended 31 July 2016 the following significant issues were considered by the Committee

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. Investments that are unquoted or not actively traded are valued using a variety of techniques to determine their fair value, all such valuations are reviewed by both Henderson's fair value pricing committee and by the Directors. Ownership is verified by reconciliation to the Custodian's records and the Directors have received quarterly reports of the Depositary who has responsibility for overseeing operations of the Company, including verification of ownership and valuation.
Recognition of income	Income received is accounted for in line with the Company's accounting policy (as set out on pages 40 and 42) and is reviewed by the Committee at each meeting.
Compliance with Section 1158 of the Corporation Tax Act 2010	The Committee regularly considers the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times.
Maintaining internal controls	The Committee receives regular reports on internal controls from Henderson and its delegates and has access to the relevant personnel of Henderson who have a responsibility for risk management and internal audit.
Performance fee	The calculation of the performance fee payable to Henderson is reviewed by the Audit Committee before being approved by the Board.

The Committee is satisfied that the Annual Report for the year ended 31 July 2016, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Policy on non-audit services

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

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

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

There were no non-audit services during the year.

Auditors' appointment

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

The Statutory Auditors and Third Country Auditors Regulations came into force on 17 June 2016. These require the Company to rotate its audit firm 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. PwC has been the Company's auditor for over 20 years. The auditor is required to rotate partners every five years and this is the first year that the current partner has been in place. Under transitional provisions, the Company will be required to put the external audit out to tender before the 2021 financial year end.

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

Fees paid or payable to the auditors are detailed in note 5 on page 43.

For and on behalf of the Board



John Cornish
Audit Committee Chairman
10 October 2016

Independent Auditors' Report to the members of Henderson EuroTrust plc

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 July 2016 and of its net return for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

What we have audited

The financial statements, included within the Annual Report, comprise

- the Statement of Financial Position as at 31 July 2016,
- the Income Statement for the year then ended,
- the Statement of Changes in Equity for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

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

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

Overview

- Overall materiality £2.1 million which represents 1% of net assets
- The Company is a standalone Investment Trust Company and engages Henderson Investment Funds Limited (the "Manager") to manage its assets
- We conducted our audit of the financial statements using information from BNP Paribas Securities Services (the "Administrator") to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates
- Valuation and existence of investments
- Dividend income
- Performance fee

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

The scope of our audit and our areas of focus

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

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

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

Area of focus	How our audit addressed the area of focus
Valuation and existence of investments Refer to page 31 (Report of the Audit Committee), page 40 (Accounting Policies) and page 45 (notes) The investment portfolio at the year end comprised of listed equity investments and exchange traded options valued at £2087 million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Statement of Financial Position in the financial statements.	We tested the valuation of the listed equity investments and exchange traded options by agreeing the prices used in the valuation to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. We tested the existence of investment portfolio as follows: • We agreed the listed equity investments to an independent custodian confirmation from HSBC Bank plc. • We agreed the exchange traded options to an independent broker confirmation from UBS AG. No differences were identified which required reporting to those charged with governance.
Dividend income Refer to page 31 (Report of the Audit Committee), page 41 (Accounting Policies) and page 43 (notes) We focused on the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the "AIC SORP"). This is because incomplete or inaccurate income could have a material impact on the Company's net asset value and dividend cover.	We assessed the accounting policy for dividend income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that dividend income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that dividend income has been accounted for in accordance with the stated accounting policy. We understood and assessed the design and implementation of relevant controls surrounding dividend income recognition. In addition, we tested dividend receipts by agreeing the dividend rates from investments to independent third party sources. No material misstatements were identified by our testing which required reporting to those charged with governance. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared by investment holdings in the portfolio. Our testing did not identify any unrecorded dividends. We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. We then tested the validity of special dividends to independent third party sources. We did not find any special dividends that were not treated in accordance with the AIC SORP.
Performance fee Refer to page 31 (Report of the Audit Committee), page 41 (Accounting Policies) and page 43 (notes) A performance fee is payable for the year of £1.1 million. We focused on this area because the performance fee is calculated using complex methodology as set in the Investment Management Agreement between the Company and the Manager.	We independently recalculated the performance fee of £1.1 million using the methodology set out in the Investment Management Agreement and agreed the inputs to the calculation, including the benchmark data, to independent third party sources, where applicable. No material misstatements were identified by our testing. We tested the allocation of the performance fee between the revenue and capital return columns of the Income Statement with reference to the accounting policy as set out on page 41. We found that the allocation of the performance fee was consistent with the accounting policy.

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

How we tailored the audit scope

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

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

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

Materiality

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

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

Overall materiality	£2.1 million (2015: £1.8 million)
How we determined it	1% of net assets
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £103,000 (2015: £92,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 40, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern.

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

Other required reporting

Consistency of other information

Companies Act 2006 opinion

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

ISAs (UK & Ireland) reporting

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

- information in the Annual Report is - materially inconsistent with the information in the audited financial statements, or - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit, or - otherwise misleading	We have no exceptions to report.
the statement given by the Directors on page 23, in accordance with provision C 1 1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit	We have no exceptions to report.
the section of the Annual Report on pages 30 and 31, as required by provision C 3 8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee	We have no exceptions to report.

The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to

the Directors' confirmation on page 15 of the Annual Report, in accordance with provision C 2 1 of the Code, that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity	We have nothing material to add or to draw attention to
the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated	We have nothing material to add or to draw attention to
the Directors' explanation on pages 15 and 16 of the Annual Report, in accordance with provision C 2 2 of the Code, as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions	We have nothing material to add or to draw attention to
Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and the Directors' statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements, checking that the statements are in alignment with the relevant provisions of the Code, and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit.	We have nothing to report having performed our review

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

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

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

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 23, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

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

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

What an audit of financial statements involves

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

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

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both

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

Richard McGuire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 October 2016

Income Statement

Notes		Year ended 31 July 2016			Year ended 31 July 2015		
		Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
2	Gains on investments held at fair value through profit or loss	–	19,120	19,120	–	20,419	20,419
3	Investment income	6,206	–	6,206	4,842	–	4,842
	Gross revenue and capital gains	6,206	19,120	25,326	4,842	20,419	25,261
4	Management and performance fees	(248)	(2,131)	(2,379)	(226)	(1,784)	(2,010)
5	Other administrative expenses	(389)	–	(389)	(362)	–	(362)
	Net return on ordinary activities before finance costs and taxation	5,569	16,989	22,558	4,254	18,635	22,889
6	Finance costs	(9)	(38)	(47)	(11)	(45)	(56)
	Net return on ordinary activities before taxation	5,560	16,951	22,511	4,243	18,590	22,833
7	Taxation on net return on ordinary activities	(601)	–	(601)	(489)	–	(489)
	Net return on ordinary activities after taxation	4,959	16,951	21,910	3,754	18,590	22,344
8	Return per ordinary share – basic and diluted	23.5p	80.1p	103.6p	18.3p	90.7p	109.0p

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

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

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

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

Statement of Changes in Equity

Notes	Year ended 31 July 2016	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total shareholders' funds £'000
	At 1 August 2015	1,038	37,114	263	142,454	4,886	185,755
	Net return on ordinary activities after taxation	–	–	–	16,951	4,959	21,910
	Ordinary shares issued	22	3,926	–	–	–	3,948
	Issue costs	–	(8)	–	–	–	(8)
	Buy-back of 20,000 ordinary shares held in treasury	–	–	–	(169)	–	(169)
9	Final dividend paid in respect of the year ended 31 July 2015 (paid 23 November 2015)	–	–	–	–	(2,750)	(2,750)
9	Interim dividend paid in respect of the year ended 31 July 2016 (paid 29 April 2016)	–	–	–	–	(1,272)	(1,272)
	At 31 July 2016	1,060	41,032	263	159,236	5,823	207,414

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

The notes on pages 40 to 54 form part of these financial statements

Statement of Financial Position

As at 31 July

Notes		2016 £'000	2015 £'000
	Fixed assets		
	Fixed asset investments held at fair value through profit or loss		
10	Listed at market value - overseas	208,660	192,294
	Current assets		
11	Debtors	1,066	465
	Cash and cash equivalents	624	2,561
		1,690	3,026
12	Creditors amounts falling due within one year	(2,936)	(9,565)
	Net current liabilities	(1,246)	(6,539)
	Total assets less current liabilities	207,414	185,755
	Net assets	207,414	185,755
	Capital and reserves		
15	Called up share capital	1,060	1,038
16	Share premium account	41,032	37,114
17	Capital redemption reserve	263	263
17	Capital reserves	159,236	142,454
17	Revenue reserve	5,823	4,886
	Total shareholders' funds	207,414	185,755
13	Net asset value per ordinary share (basic and diluted)	979 0p	895 0p

The financial statements on pages 37 to 54 were approved and authorised for issue by the Board of Directors on 10 October 2016



Nicola Ralston
Chairman

Notes to the Financial Statements

For the year ended 31 July 2016

1 Accounting policies

(a) Basis of preparation

The Company is a registered investment company as defined in section 833 of the Companies Act 2006 and is incorporated in the United Kingdom. It operates in the United Kingdom and is registered at the address on page 14.

The financial statements have been prepared in accordance with the Companies Act 2006, FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland (which is effective for periods commencing on or after 1 January 2015) and with the Statement of Recommended Practice Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in November 2014. The date of transition to FRS102 was 1 August 2014.

The Company has early adopted the amendments to FRS 102 in respect of fair value hierarchy disclosures as published in March 2016.

The principal accounting policies applied in the presentation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented. Following the application of the revised reporting standards there have been no significant changes to the accounting policies compared to those set out in the Company's Annual Report for the year ended 31 July 2015.

There has been no impact on the Company's Income Statement, Statement of Financial Position (previously called the Balance Sheet) or Statement of Changes in Equity (previously called the Reconciliation of Movements in Shareholders' Funds) for periods previously reported.

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

The Financial Statements have been prepared under the historical cost basis except for the measurement at fair value of investments. In applying FRS102, financial instruments have been accounted for in accordance with Section 11 and 12 of the standard. All of the Company's operations are of a continuing nature.

(b) Going concern

The assets of the Company consist of securities that are readily realisable and, accordingly, the Directors believe that the Company 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 determined that it is appropriate for the financial statements to be prepared on a going concern basis.

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

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

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

Unquoted investments are valued by the Directors using primary valuation techniques such as earnings multiples, recent transactions and net assets. All such valuations are reviewed by both Henderson's fair value pricing committee and by the Directors.

(d) Capital gains and losses

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

(e) Income

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

The ordinary element of scrip dividends received in lieu of cash dividends is recognised as revenue. Any enhancement above the cash dividend is treated as capital.

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

(f) Expenses and finance costs

All expenses are accounted for on an accruals basis. Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest rate method. On the basis of the Board's expected long term split of returns in the form of capital gains and income of 80% and 20% respectively, the Company charges 80% of its finance costs and management fee to the capital return. Any performance fees payable are allocated wholly to capital, reflecting the fact that although they are calculated on a total return basis, they are expected to be attributable largely, if not wholly, to capital performance. All other expenses are charged to revenue return. All of these amounts are stated net of any tax relief and inclusive of any related irrecoverable value added tax.

(g) Taxation

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

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were applicable at the Statement of Financial Position date.

The tax effect of different items of expenditure is allocated between the capital return and revenue return using the Company's effective tax rate. In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Income Statement is the 'marginal basis'. Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Income Statement, then no tax relief is transferred from the capital return column.

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

(h) Foreign currency

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

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

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

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

(i) Dividends payable to shareholders

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

(j) Issue and repurchase of ordinary shares

The proceeds from the share issue of new ordinary shares (including those relating to the sale of shares out of treasury) and the aggregate cost of repurchasing ordinary shares (including those to be held in treasury), including related stamp duty and transaction costs, is taken directly to equity and dealt with in the Statement of Changes in Equity. Share issues and repurchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of called up share capital and into the capital redemption reserve.

(k) Capital reserves

Called up share capital represents the nominal value of ordinary shares issued. The share premium accounts represent the premium above nominal value received by the Company on issues of shares net of costs.

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

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

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

Capital reserve arising on investments sold

The following are accounted for in this reserve:

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

Capital reserve arising on investments held

The following are accounted for in this reserve:

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

(l) Distributable reserves

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

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

	2016 £'000	2015 £'000
Gains on sale of investments based on historical cost	11,725	6,114
Less: Revaluation gains recognised in previous years	(15,555)	(6,244)
Losses on investments sold in the year based on carrying value at previous statement of financial position date	(3,830)	(130)
Revaluation of investments held at 31 July	23,293	19,857
Exchange (losses)/gains	(343)	692
	19,120	20,419

Notes to the Financial Statements (continued)

3 Investment income

	2016 £'000	2015 £'000
Overseas dividend income	6,018	4,842
Overseas stock dividend income	188	–
	6,206	4,842

4 Management and performance fees

	2016			2015		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Investment management fee	248	991	1,239	226	906	1,132
Performance fee	–	1,140	1,140	–	878	878
	248	2,131	2,379	226	1,784	2,010

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

5 Other administrative expenses

	2016 £'000	2015 £'000
Directors' fees and taxable benefits (see the Directors' Remuneration Report on pages 24 and 25)	105	102
Auditors' remuneration – for audit services	33	31
Other administrative expenses		
Bank charges	32	22
Loan – including arrangement fees, non utilisation fees and legal fees	10	31
Legal and professional fees	20	1
Marketing fees payable to the Manager	55	45
Printing and postage	15	20
Stock exchange listing	20	21
AIC fees	19	17
Registrar's fees	12	11
Depositary fees	42	40
Other expenses	26	21
	389	362

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

6 Finance costs

	2016			2015		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Loan interest	9	38	47	11	45	56

Notes to the Financial Statements (continued)

7 Taxation on net return on ordinary activities

a) Analysis of the charge for the year

	2016			2015		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Foreign withholding taxes	906	–	906	797	–	797
Overseas tax reclaimable	(305)	–	(305)	(308)	–	(308)
Total tax charge for the year (see note 7 b))	601	–	601	489	–	489

The Company's profit for the accounting year is taxed at an effective rate of 20.00% (2015: 20.67%). The standard rate of corporation tax has been 20% since 1 April 2015.

b) Factors affecting the tax charge for the year

	2016			2015		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Net return on ordinary activities before taxation	5,560	16,951	22,511	4,243	18,590	22,833
Corporation tax at 20% (2015: 20.67%)	1,112	3,390	4,502	877	3,843	4,720
Effects of						
Non-taxable gains less losses on investments held at fair value through profit or loss	–	(3,824)	(3,824)	–	(4,221)	(4,221)
Non-taxable overseas dividends	(1,241)	–	(1,241)	(1,002)	–	(1,002)
Overseas tax	601	–	601	489	–	489
Excess management expenses	117	434	551	107	378	485
Unutilised loan relationships	12	–	12	18	–	18
Total tax charge	601	–	601	489	–	489

c) Deferred taxation

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

The Company has not recognised a deferred tax asset totalling £2,695,000 (2015: £2,133,000) based on a prospective corporation tax rate of 20% (2015: 20%). The UK Government announced in July 2015 that the corporate tax rate is set to be cut to 19% in 2017 and 18% in 2020. These reductions in the standard rate of corporation tax were substantially enacted on 26 October 2015 and became effective from 18 November 2015. The deferred tax asset arises as a result of having unutilised management expenses and unutilised non-trade loan relationship deficits. These expenses will only be utilised, to any material extent, if the Company has profits chargeable to corporation tax in the future because changes are made either to the tax treatment of the capital gains made by investment trusts or to the Company's investment profile which require them to be used.

8 Return per ordinary share basic and diluted

The total return per ordinary share is based on the net return attributable to the ordinary shares of £21,910,000 (2015: £22,344,000) and on 21,149,557 ordinary shares (2015: 20,501,199), being the weighted average number of shares in issue during the year. The total return can be further analysed as follows:

	2016 £'000	2015 £'000
Revenue return	4,959	3,754
Capital return	16,951	18,590
Total return	21,910	22,344
Weighted average number of ordinary shares	21,149,557	20,501,199

Notes to the Financial Statements (continued)

8 Return per ordinary share basic and diluted (continued)

	2016 Pence	2015 Pence
Revenue return per ordinary share	23.5	18.3
Capital return per ordinary share	80.1	90.7
Total return per ordinary share	103.6	109.0

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.

9 Dividends on ordinary shares

	Register date	Payment date	2016 £'000	2015 £'000
Final dividend (12.5p) for the year ended 31 July 2014	17 October 2014	21 November 2014	–	2,549
Interim dividend (5.5p) for the year ended 31 July 2015	7 April 2015	24 April 2015	–	1,129
Final dividend (13.0p) for the year ended 31 July 2015	16 October 2015	23 November 2015	2,750	–
Interim dividend (6.0p) for the year ended 31 July 2016	8 April 2016	29 April 2016	1,272	–
			4,022	3,678

The proposed final dividend of 14.0p per share for the year ended 31 July 2016 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

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

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

	2016 £'000	2015 £'000
Revenue available for distribution by way of dividend for the year	4,959	3,754
Interim dividend of 6.0p (2015: 5.5p) paid 29 April 2016 (24 April 2015)	(1,272)	(1,129)
Proposed final dividend for the year ended 31 July 2016 of 14.0p (2015: 13.0p) (based on 21,185,541 ordinary shares in issue at 10 October 2016 (2015: 21,155,541))	(2,966)	(2,750)
Undistributed revenue for section 1158 purposes¹	721	(125)

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

	2016 Listed Investments £'000	2015 Listed Investments £'000
Valuation at start of year	192,294	165,206
Investment holding gains at start of year	(43,694)	(30,081)
Cost of investments at start of year	148,600	135,125
Purchases at cost	90,193	89,613
Sales at cost	(81,565)	(76,138)
Cost of investments at end of year	157,228	148,600
Investment holding gains at end of year	51,432	43,694
Valuation at end of year	208,660	192,294

Total transaction costs amounted to £230,000 (2015: £205,000) of which purchase transaction costs for the year ended 31 July 2016 were £176,000 (2015: £150,000) and comprise mainly of brokers' commission. Sale transaction costs for the year ended 31 July 2016 were £54,000 (2015: £55,000).

¹ Undistributed revenue comprises 11.6% (2015: 0.0%) of the total income of £8,208,000 (2015: £4,842,000) (see note 3).

Notes to the Financial Statements (continued)

11 Debtors

	2016 £'000	2015 £'000
Withholding tax recoverable	624	455
Sales for future settlement	432	–
Prepayments and accrued income	10	10
	1,066	465

12 Creditors' amounts falling due within one year

	2016 £'000	2015 £'000
Bank loans (see note 14.1.3)	1,267	8,009
Purchases for future settlement	–	228
Management fee	435	389
Performance fee	1,140	878
Loan interest payable	1	–
Other accruals	93	61
	2,936	9,565

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

The net asset value per ordinary share of 979.0p (2015: 895.0p) is based on the net assets attributable to ordinary shares of £207,414,000 (2015: £185,755,000) and on 21,185,541 (2015: 20,755,541) ordinary shares in issue at the year end. There were 20,000 shares held in Treasury at the year end (2015: nil).

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

	2016 £'000	2015 £'000
Total net assets attributable to the ordinary shares at 1 August	185,755	163,771
New shares allotted	3,940	3,318
Buy back of shares	(169)	–
Total net return on ordinary activities after taxation	21,910	22,344
Dividends paid on ordinary shares in the year	(4,022)	(3,678)
Total net assets attributable to the ordinary shares at 31 July	207,414	185,755

14 Risk management policies and procedures

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

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

- straight-through processing via a deal order and management system ("OMS") is utilised for listed securities, exchange-traded derivatives and OTC derivatives contracts with connectivity to third-party affirmation and trade repository services,
- portfolio modelling and investment management functions (including order-raising, dealing and trade execution) are performed using one of, or a combination of, the following third-party software applications: Charles River Development OMS and/or Imagine,
- fund pricing and accounting services are outsourced to a third-party administrator (currently BNP Paribas Securities Services) which utilises HiPortfolio software,

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

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

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

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

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

14.1 Market risk

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

14.1.1 Market price risk

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

Management of the risk

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

The Company's exposure to changes in market prices at 31 July 2016 on its investments held at fair value through profit or loss was £208,660,000 (2015: £192,294,000).

Concentration of exposure to market price risks

An analysis of the Company's investment portfolio is shown on page 9. There is a concentration of exposure to Germany, France and Switzerland, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year, and the equity, to an increase or decrease of 20% (2015: 20%) in the fair values of the Company's equities. This level of change is considered to be possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at each statement of financial position date, with all other variables held constant.

	2016		2015	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Income Statement – return after tax				
Revenue (loss)/return	(54)	54	(50)	50
Capital return/(loss)	41,515	(41,515)	38,259	(38,259)
Total return after tax for the year	41,461	(41,461)	38,209	(38,209)
Impact on net assets	41,461	(41,461)	38,209	(38,209)

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.1 Market risk (continued)

14.1.2 Currency risk

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

Management of the risk

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

Foreign currency borrowings may be used to limit the Company's exposure to future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. These borrowings are limited to 30% of the adjusted net asset value.

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

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

Foreign currency exposure

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

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

	Euro £'000	Swiss Franc £'000	Swedish Krona £'000	Other £'000	Total £'000
2016					
Creditors (amounts due to brokers, bank loans, interest payable)	(1,267)	–	–	–	(1,267)
Cash and cash equivalents	367	–	–	–	367
Amounts due from brokers	432	–	–	–	432
Total foreign currency exposure on net monetary items	(468)	–	–	–	(468)
Investments at fair value through profit or loss	157,963	36,484	8,253	5,960	208,660
Total net foreign currency exposures	157,495	36,484	8,253	5,960	208,192

	Euro £'000	Swiss Franc £'000	Swedish Krona £'000	Other £'000	Total £'000
2015					
Creditors (amounts due to brokers, bank loans, interest payable)	(3,770)	(4,467)	–	–	(8,237)
Cash and cash equivalents	2,001	–	–	–	2,001
Total foreign currency exposure on net monetary items	(1,769)	(4,467)	–	–	(6,236)
Investments at fair value through profit or loss	138,467	32,654	13,980	7,193	192,294
Total net foreign currency exposures	136,698	28,187	13,980	7,193	186,058

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

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.1 Market risk (continued)

14.1.2 Currency risk (continued)

Foreign currency sensitivity

The following table illustrates the sensitivity of the total profit after tax for the year and the net assets with regard to movements in the Company's foreign currency financial assets and financial liabilities caused by changes in the exchange rates for Sterling/Euro, Sterling/Swiss Franc, Sterling/Swedish Krona, Sterling/Other

It assumes the following changes in exchange rates

Sterling/Euro +/- 10% (2015 10%)

Sterling/Swiss Franc +/- 10% (2015 10%)

Sterling/Swedish Krona +/- 10% (2015 10%)

Sterling/Other +/- 10% (2015 10%)

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

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

	2016				2015			
	Euro £'000	Swiss Franc £'000	Swedish Krona £'000	Other £'000	Euro £'000	Swiss Franc £'000	Swedish Krona £'000	Other £'000
Income Statement – net return after taxation								
Revenue return	397	93	27	25	270	63	59	30
Capital return	17,410	4,033	912	658	15,108	3,116	1,545	796
Change in total return after taxation for the year and shareholders' funds	17,807	4,126	939	683	15,378	3,179	1,604	826

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

	2016				2015			
	Euro £'000	Swiss Franc £'000	Swedish Krona £'000	Other £'000	Euro £'000	Swiss Franc £'000	Swedish Krona £'000	Other £'000
Income Statement – net return after taxation								
Revenue return	(326)	(76)	(22)	(21)	(220)	(52)	(48)	(25)
Capital return	(14,246)	(3,300)	(746)	(539)	(12,362)	(2,550)	(1,264)	(651)
Change in total return after taxation for the year and shareholders' funds	(14,572)	(3,376)	(768)	(560)	(12,582)	(2,602)	(1,312)	(676)

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

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.1 Market risk (continued)

14.1.3 Interest rate risk

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

Management of the risk

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

Interest rate exposure

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

	2016 Total (within one year) £'000	2015 Total (within one year) £'000
Exposure to floating interest rates		
Cash at bank	624	2,561
Creditors		
Borrowings under multi-currency loan facility	(1,267)	(8,009)
	(643)	(5,448)

Interest rate sensitivity

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

Loan sensitivity – Borrowings vary throughout the year as a result of the Board's borrowing policy. Borrowings at the year end were £1,267,000 (2015: £8,009,000) (note 12) and, if that level of borrowings was maintained for a full year, then a 100 basis point change in LIBOR (up or down) would decrease or increase the total net return on ordinary activities after taxation by approximately £13,000 (2015: £80,000).

14.2 Liquidity risk

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

Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Company has a multi-currency loan facility of £15 million of which £1,267,000 (2015: £8,009,000) was drawn down at the year end and an overdraft facility with a sub-custodian, the extent of which is determined by the custodian on a regular basis by reference to the value of the securities held by it on behalf of the Company.

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

Liquidity risk exposure

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

	2016 Due within one month £'000	2015 Due within one month £'000
Bank loans (including accrued interest)	1,267	8,010
Other creditors and accruals	1,669	1,556
	2,936	9,566

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.3 Credit risk

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

Management of the risk

Credit risk is managed as follows

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

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

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

14.4 Fair values of financial assets and financial liabilities

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

14.5 Fair value hierarchy disclosures

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

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

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 observed on observable market data

Financial assets at fair value through profit or loss at 31 July 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	208,504	–	–	208,504
Euro Stoxx options	–	156	–	156
Total	208,504	156	–	208,660

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

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

The total carrying value of receivables, as stated in note 11, is a reasonable approximation of their fair value as at the year end date. The total carrying value of financial liabilities, as disclosed in note 12, is a reasonable approximation of their fair value at the year end date.

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.6 Capital management policies and procedures

The Company's capital management objectives are

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

The Company's capital as 31 July 2016 comprised its equity share capital, reserves and bank loans that are shown in the statement of financial position at a total of £208,681,000 (2015 £193,764,000)

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

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

The Company is subject to additional externally imposed capital requirements

- under the multi-currency facility total borrowings not to exceed 30% of the total market value of the portfolio and the net asset value not to fall below £75,000,000
- as a public company, the Company has a minimum share capital of £50,000, and
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by law

These requirements are unchanged since last year, and the Company has complied with them

15 Called up share capital

	Number of shares entitled to dividend	Total number of shares	Nominal value of shares £'000
Ordinary shares of 5p each authorised		75,000,000	3,750
Balance at the start and end of the year ended 31 July 2015	20,755,541	20,755,541	1,038
New shares issued in the year	450,000	450,000	22
Shares bought back in the year held in treasury	(20,000)	–	–
At 31 July 2016	21,185,541	21,205,541	1,060

During the year the Company issued 450,000 shares for a total of £3,940,000 after deduction of issue costs (2015 365,000 shares for a total of £3,318,000 after deduction of issue costs)

During the year the Company repurchased 20,000 shares (2015 nil) to be held in treasury at a total cost of £169,000 (2015 £ nil)

There is a single class of ordinary share. Accounting policy (I) on page 42 details the reserves that can be distributed as a dividend

Since 31 July 2016, no further shares have been issued (2015 400,000)

16 Share premium account

	2016 £'000	2015 £'000
At start of year	37,114	33,814
Ordinary shares issued in year	3,926	3,335
Issue costs	(8)	(35)
At end of year	41,032	37,114

Notes to the Financial Statements (continued)

17 Reserves

	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on investments held £'000	Capital reserves total £'000	Revenue reserve £'000
At 1 August 2015	263	98,760	43,694	142,454	4,886
Transfer on disposal of assets	–	15,555	(15,555)	–	–
Net movement on investments held at fair value through profit or loss	–	(3,830)	23,293	19,463	–
Net movement on foreign exchange	–	(343)	–	(343)	–
Expenses and finance costs charged to capital	–	(2,169)	–	(2,169)	–
Buy-back of 20,000 ordinary shares for treasury	–	(169)	–	(169)	–
Final dividend for year ended 31 July 2015 (paid 23 November 2015)	–	–	–	–	(2,750)
Net revenue return after taxation for the year	–	–	–	–	4,959
Interim dividend for the year ended 31 July 2016 (paid 29 April 2016)	–	–	–	–	(1,272)
At 31 July 2016	263	107,804	51,432	159,236	5,823

	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on investments held £'000	Capital reserves total £'000	Revenue reserve £'000
At 1 August 2014	263	93,783	30,081	123,864	4,810
Transfer on disposal of assets	–	6,244	(6,244)	–	–
Net movement on investments held at fair value through profit or loss	–	(130)	19,857	19,727	–
Net movement on foreign exchange	–	692	–	692	–
Expenses and finance costs charged to capital	–	(1,829)	–	(1,829)	–
Final dividend for the year ended 31 July 2014 (paid 21 November 2014)	–	–	–	–	(2,549)
Net revenue return after taxation for the year	–	–	–	–	3,754
Interim dividend for the year ended 31 July 2015 (paid 24 April 2015)	–	–	–	–	(1,129)
At 31 July 2015	263	98,760	43,694	142,454	4,886

Notes to the Financial Statements (continued)

18 Transactions with the Manager

Under the terms of an agreement effective from 22 July 2014 (which replaced the agreement dated 14 December 2005 in order to reflect the appointment of an Alternative Investment Fund Manager in accordance with the requirements of the Alternative Investment Fund Managers Directive), the Company appointed a wholly owned subsidiary company of Henderson Group plc ('Henderson') to provide investment management, accounting, administrative and secretarial services. Henderson has contracted with BNP Paribas Securities Services to provide accounting and administration services.

Details of the management fee arrangements for these services are given in the Strategic Report on page 4. The total of the management fees paid or payable under this agreement to Henderson in respect of the year ended 31 July 2016 was £1,239,000 (2015: £1,132,000) of which £435,000 (per note 12) was outstanding at 31 July 2016 (2015: £389,000).

A performance fee is also payable to Henderson for the year ended 31 July 2016 amounting to £1,140,000 (2015: £878,000). These amounts were outstanding at the respective statement of financial position dates as per notes 4 and 12.

In addition to the above services, Henderson has provided the Company with sales marketing services during the year. The total fees, including VAT paid or payable for these services for the year ended 31 July 2016 amounted to £55,000 (2015: £45,000) of which £20,000 was outstanding at 31 July 2016 (2015: £5,000).

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 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 a Key Investor Information Document ('KIID') which can be found on the Company's website

BACS

Dividends can be paid to shareholders by means of BACS (Bankers' Automated Clearing Services), mandate forms for this purpose are available from the Registrar. Alternatively, shareholders can write to the Registrar (the address is given on page 14) 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 is being introduced. The legislation will require the Company to provide personal information to HMRC on certain investors who purchase shares in investment trusts. This information will have to be provided annually to the local tax authority of the tax residencies of a number of non-UK based certificated shareholders and corporate entities

Equality Act 2010

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

You can contact the Registrar, Computershare Investor Services PLC, which has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator by dialling 0870 702 0005. Specially trained operators are available during normal business hours to answer queries via this service

Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for Deaf People) dial 18001 followed by the number you wish to dial

Non-mainstream pooled investments (NMPI) status

The Company currently conducts its affairs so that its ordinary shares of 5p each can be recommended by IFAs to ordinary retail investors in accordance with the Financial Conduct Authority's ('FCA') rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

ISA

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

Share price listings

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

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

Performance details/share price information

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

Shareholder details

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

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

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

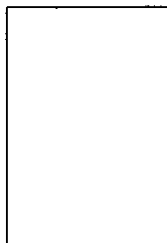
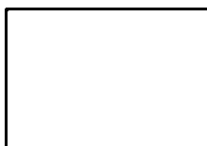
SEDOL/ISIN number Ordinary Shares GB0004199294
London Stock Exchange (EPIC) Code HNE
Global Intermediary Identification Number (GIIN) P560WP99999 SL 826
Legal Entity Identifier (LEI) 213800DAFFNXRBW0EF12

Telephone **020 7818 1818**
Email **trusts@henderson.com**

www.hendersoneurotrust.com

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