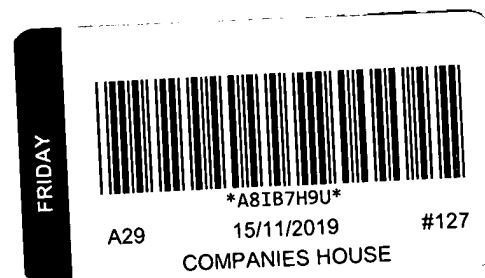


# HENDERSON EUROTRUST PLC

*Seeking growth, quality and consistency*

**Annual Report 2019**



MANAGED BY

**Janus Henderson**  
— INVESTORS —

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## Strategic Report

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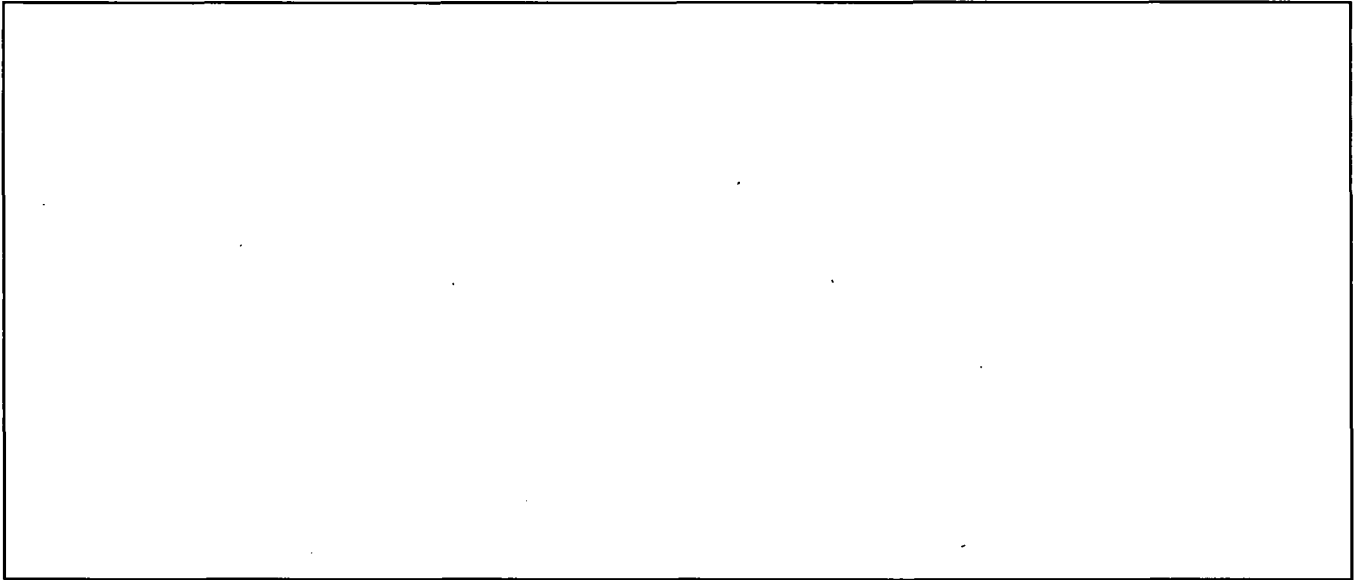
**“The Company’s portfolio remains very actively managed, and this approach has continued to be rewarded.”**

Nicola Ralston, Chairman

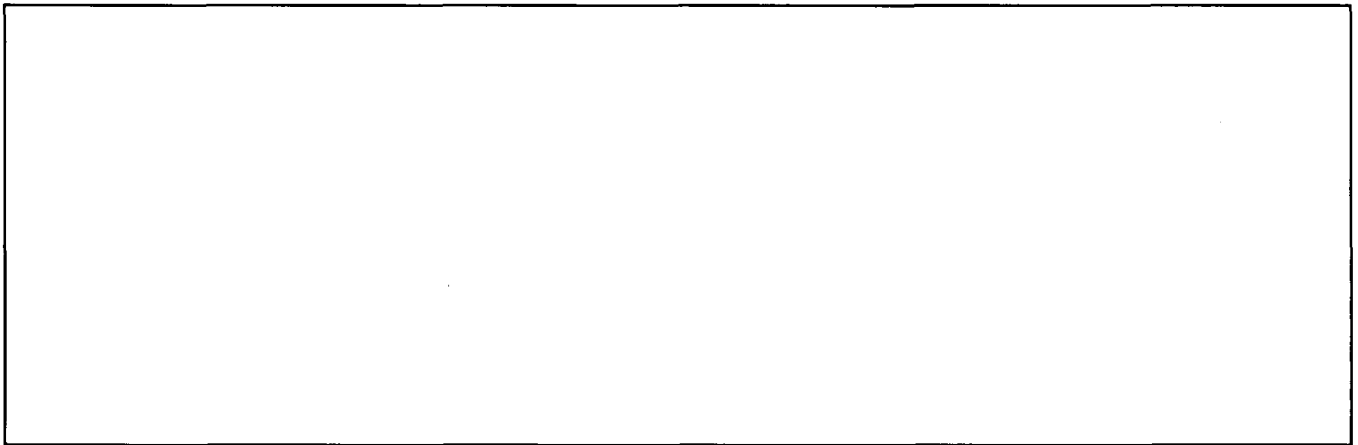
# Strategic Report: Performance Highlights

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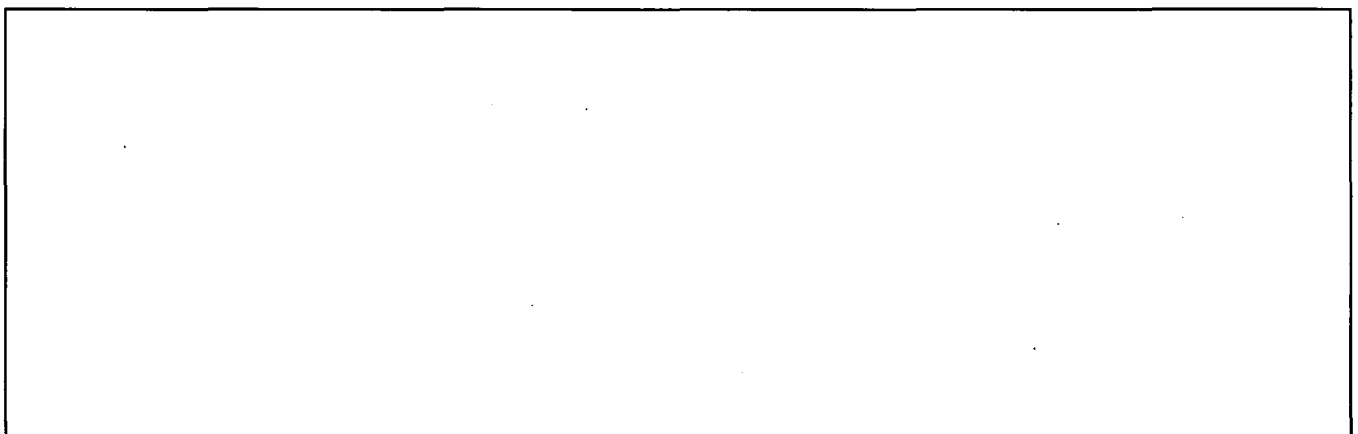
Total Return Performance for year ended 31 July 2019



Total Return Performance over the last ten years (rebased to 1,000)



Total Return Performance over the last year (rebased to 1,000)



## Strategic Report: Performance Highlights (continued)

NAV per share at year end

2019	<b>£12.94</b>	2018	<b>£12.47</b>
------	---------------	------	---------------

Dividend for year<sup>5</sup>

2019	<b>31.0p</b>	2018	<b>30.5p</b>
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Ongoing charge<sup>6</sup>

2019	<b>0.81%</b>	2018	<b>0.81%</b>
------	--------------	------	--------------

Number of investments at year end<sup>7</sup>

2019	<b>40</b>	2018	<b>46</b>
------	-----------	------	-----------

Net assets

2019	<b>£274.1m</b>	2018	<b>£264.1m</b>
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Share price at year end

2019	<b>£11.65</b>	2018	<b>£11.45</b>
------	---------------	------	---------------

Dividend yield<sup>8</sup>

2019	<b>2.4%</b>	2018	<b>2.7%</b>
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Gearing at year end

2019	<b>£1.6m</b> (0.6%)	2018	<b>£nil</b> (0.0%)
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Discount at year end<sup>9</sup>

2019	<b>10.0%</b>	2018	<b>8.2%</b>
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1 Net asset value ("NAV") per ordinary 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 Share price total return (including dividends reinvested and excluding transaction costs)

3 FTSE World Europe (ex UK) Index

4 AIC Europe Sector (Peer Group)

5 Including the 8.0p interim dividend paid on 26 April 2019 and the 23.0p final dividend which will be put to shareholders for approval at the Annual General Meeting on 13 November 2019

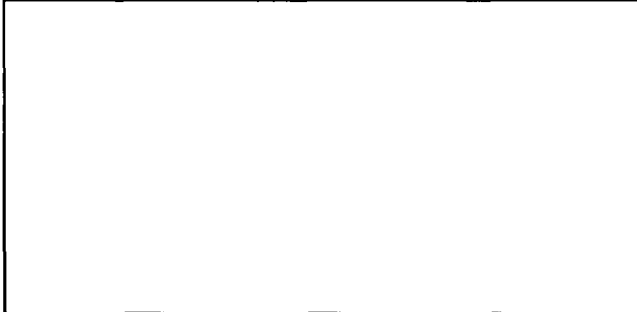
6 Ongoing charge includes performance fee. The ongoing charge excluding the performance fee is 0.81% (2018: 0.81%). The performance fee was removed with effect from 1 January 2019

7 Excluding the nil value position in OW Bunker (2018: excluding OW Bunker and one option)

8 Based on the share price at the year end

9 Calculated using published daily NAVs including current year revenue

# Strategic Report: Chairman's Statement



**The Chairman of the Company, Nicola Ralston, reports on the year ended 31 July 2019**

## Performance

The last year has been another good one for performance, and I am pleased to report that the net assets of the Company rose by 6.6% on a total return basis, outperforming our benchmark, the FTSE World Europe (ex UK) by 1.9% in Sterling terms, net of all fees and costs. This is particularly welcome given the transition of the management of the portfolio to Jamie Ross from Tim Stevenson on his retirement. Jamie was the Company's Joint Fund Manager prior to Tim's departure. As was the case last year, in the last ten years net asset performance has exceeded the index benchmark in all but one year.

The share price total return, including dividends, was 4.7%. This was less than the increase in the Net Asset Value ("NAV"), as the discount to NAV again widened, from 8.2% to 10.0% at the year end. The share price total return of 4.7% was ahead of the 3.2% return for the peer group (the AIC Europe Sector).

## Dividends

I commented last year that the Fund Manager was of the opinion that the pace of growth in the dividends produced by the Company was likely to moderate when compared to the last few years. This has proved to be the case. The Board proposes a final dividend of 23.0p, taking the total distribution for the year to 31.0p – an increase of 0.5p on last year. After contributing £1.8m to the revenue reserve in the previous three years, the Board has decided to use some of this reserve to increase the dividend in the current year. The Board considers the dividend in the light of circumstances each year, but is committed to a progressive dividend policy.

## Demand for the Company's shares

The Company's shares traded at a discount to NAV of nearly 10% over the year, a higher discount than the peer group average of circa 7%. With only eight constituents, the peer group is relatively small, and includes companies which also invest in the UK; however, it is clear that our wider discount is not due to investment performance, which continues to be strong. Nor does the Board believe that the discount is due to lack of confidence in the overall investment approach; on the contrary, we have been delighted with the favourable response to Jamie Ross's clearly articulated investment process. The Board believes that enthusiasm for European equities has been limited due to adverse political sentiments around Europe and Brexit and, in relative terms, the Company is still under-owned by retail investors.

In our view, the changing nature of the shareholder base, in particular the continued amalgamation of wealth management firms, is reducing the ability of such firms to invest in medium-sized, mainstream investment trusts. Seven of our top ten holders are wealth management firms; these firms hold approximately 39% of the Company's shares, a proportion which has been gradually declining. Good investment performance is essential if there is to be demand for the Company's shares, but the Board realises that this is a necessary, but not sufficient condition. Over the last two years in particular, we have therefore sought to develop a greater understanding of the retail market, including platforms through which individuals can invest directly. These holdings have been increasing and remain a key area of focus for the Board.

## A new generation of investors

Our research also suggests that there is a bigger challenge – how to ensure that a new generation of investors is aware of and can learn about investment trusts and the advantages they can offer. Such a challenge cannot be met by the Company alone, but we seek to be in the vanguard of meeting this challenge. We are very supportive of the efforts of our Manager in seeking new ways of reaching potential investors and our Fund Manager, Jamie Ross, is committed to producing relevant information for use online and via social media, as well as speaking in person at a range of events, to access both our traditional and new audiences. We have also urged the AIC to press platforms to make it more practical for shareholders to vote in respect of their holdings in securities, such as the Company; not only is this important for good governance, but we also believe a new generation of investors will want to be engaged shareholders.

In many respects we feel that the Company is very well placed to appeal to potential new investors. The investment approach followed by our Fund Manager – *Seeking growth, quality and consistency* – focuses on sustainable performance over the longer term, and has resulted in a portfolio which achieves favourable scores on most widely used rating systems for environmental, social and governance ("ESG") factors. The Board and the Manager have reviewed a number of these rating systems to make sure that we understand what they actually measure; whilst the Fund Manager does not target any specific scores, and may for a variety of reasons invest in individual companies which do not have favourable ratings, we expect the overall portfolio to continue to score well on most ESG metrics (see the Fund Manager's Report for more detail).

## Gearing

Day to day decisions in respect of gearing are delegated to the Fund Manager, whose neutral position is to be modestly geared (low-to-mid single digits). However, the key driver of gearing at any given time is the net appeal of the stock ideas at his disposal, rather than a macro view of markets. It should not be surprising that opportunities are less compelling after a period of market strength. At the start of the current financial year in August 2018, the Company had no gearing in place and, indeed, a modest cash balance; this was followed by a sharp downturn in equity markets in the fourth quarter, with the FTSE World Europe (ex UK) index falling 14.1% between the start of the financial year and the low point on 27 December 2018. By January 2019, a modest level of gearing had been re-introduced as our Fund

# Strategic Report: Chairman's Statement (continued)

Manager was able to build on existing positions at attractive valuations and introduce new holdings. Over the year as a whole, gearing and cash contributed 0.5% to NAV total return.

The Board keeps the issue of long term gearing under review; although long term borrowing rates are still low in a historical context, short term borrowing costs remain exceptionally low, whilst also offering greater flexibility than is the case with longer term borrowing. At the moment, the Fund Manager has access to £25m of borrowing, on demand.

## An active approach

In last year's report, Fund Manager Tim Stevenson set out the different types of company which make up the portfolio, with the main emphasis on "Compounders" and "Improvers". In this year's Report, Jamie has included additional detail on his investment process, which we hope will give shareholders a better idea of how potential holdings are identified and evaluated versus existing holdings and versus each other. Risk models confirm that, to an even greater extent than previously, performance is driven by individual stock selection rather than factors such as style (e.g. growth or value) exposure. At a time when "closet indexing" (charging fees for actively managing a portfolio, but not taking sufficient risk to have a reasonable probability of outperforming the relevant benchmark index) is rightly condemned, the Company's portfolio remains very actively managed, and this approach has continued to be rewarded.

I also wanted to remind shareholders that current portfolio holdings are predominantly in highly liquid, large and medium sized listed securities and, whilst permitted by the Company's investment policy to a limited extent, we do not usually invest in unlisted stocks or those listed on junior markets. Hence we expect the portfolio to remain highly liquid, and believe that there is no conflict between liquidity and achieving the Company's performance objectives.

## Board

As part of the Board's succession plan, we announced on 26 September 2019 that Stephen King will be joining the Board with effect from 1 December 2019. Having been HSBC chief economist for 17 years until 2015, Stephen King is currently senior economic adviser to HSBC on a part time basis. He has written three books *Losing Control: The Emerging Threats to Western Prosperity (2010)*, *When the Money Runs Out: The End of Western Affluence (2013)* and *Grave New World: The End of Globalization, the Return of History (2017)*. Stephen has held senior economist positions at the Treasury. Stephen will stand for election at the Annual General Meeting ("AGM") in November 2020.

There is a rolling programme of refreshment of the Board. However, at the same time the Board wishes to maintain the culture of purpose that currently exists between the Board, the Manager and the shareholders. Therefore, a period of "bedding in" to introduce new non-executive members to the Board is followed.

David Marsh will be retiring as a Director at the AGM in November 2020 having completed the maximum permitted term of nine years under the Board's tenure policy.

## Governance

The governance landscape continues to change. In 2018, the Financial Reporting Council issued a revised UK Corporate Governance Code which places greater emphasis on relationships between companies, shareholders and stakeholders. It also promotes the importance of establishing a corporate culture that is aligned with the Company's purpose and business strategy, and which promotes integrity and values diversity. As a result, the Association of Investment Companies ("AIC") issued a revised Code of Corporate Governance ("AIC Code") which sets out additional provisions on issues that are of specific relevance to investment companies as well as removing provisions which are not relevant.

The Board welcomed the changes brought by this governance reform and, whilst reporting as required under the 2016 AIC Code, has made additional disclosures which reflect the new AIC Code provisions.

## Annual General Meeting ("AGM")

Our meeting will be held on Wednesday 13 November 2019 at 2.30pm at Janus Henderson Investors' offices at 201 Bishopsgate, London EC2M 3AE. I hope as many shareholders as possible will be able to attend to take the opportunity to meet the Board and to hear a presentation from the Fund Manager. Full details are set out in the Notice which has been sent to shareholders with this report, and are also available online at [www.hendersoneurotrust.com](http://www.hendersoneurotrust.com).

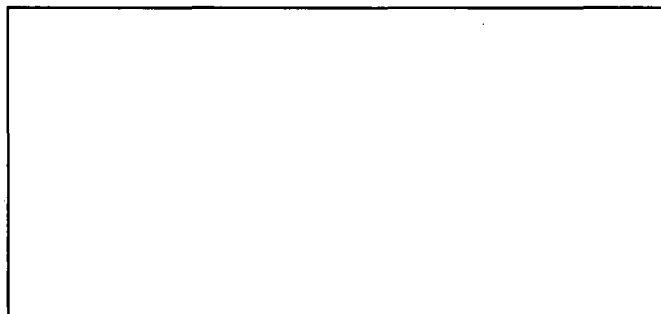
## Outlook

The portfolio we hold at the moment is relatively concentrated, with 40 holdings in the portfolio. Although the performance of the European equity index as a whole inevitably has a major influence on our performance in absolute terms, performance relative to the index is driven by the stocks our Fund Manager chooses to hold. In recent weeks, there has been a resurgence in "value" stocks, which are generally – and somewhat crudely – defined as securities which trade on a valuation lower than the market average. It is very possible that this will continue, as "value" stocks have been out of favour for a considerable period. We are not concerned about this, as the focus of the Company is on the consistency of performance and the ability to compound earnings over time, rather than to capture a short term rebound due to a change in valuation. We do not want to buy securities which we consider to be valued more highly than their prospects justify, but to find companies which can deliver attractive returns through a variety of economic and political circumstances in a consistent manner. Whilst we have to make judgements about which companies can best do this at any one time, and do so with a suitable degree of diversification, this focus will not change.

We will also continue to put our efforts into marketing the Company and, in addition to meeting the needs of our current shareholders, finding ways of reaching the shareholders of the future. The Board is clear that investment performance is a necessary, but not sufficient, condition for the Company to be successful in the long term.

Nicola Ralston  
Chairman

# Strategic Report: Fund Manager's Report



**The Fund Manager of the Portfolio, Jamie Ross, reports on the year ended 31 July 2019**

## Continuity and change

This is the first annual fund manager's report that I have had the pleasure of writing. As mentioned in the last annual report, the Board, having been notified of Tim Stevenson's intention to retire, appointed me as Joint Fund Manager in October 2018. Since Tim's retirement at the end of February 2019, I have been the Company's sole manager and I am very pleased to be now reporting on what has been another strong period of performance for the Company. Over the full financial year, the Company produced a total return of 6.6% (after all fees), comfortably beating the index total return of 4.7%.

## My investment process

My investment process is based around the thorough analysis of a relatively small number of companies. My intention is to have a narrow but deep understanding of the market, rather than a broad but shallow understanding; I don't try to analyse a very large number of companies, but I make sure that I fully understand the 40 companies in the portfolio and another 10-15 that will be on the watchlist at any one time. The watchlist is refreshed with new ideas when I find them.

The most important part of my analysis is that which focuses on Return on Invested Capital ("ROIC"). Understanding ROIC and its drivers is crucial to the identification of excellent businesses, or those with the potential to become excellent businesses; and it is these two types of companies that I strive to identify. I generally refer to the former category as "Compounders" and the latter as "Improvers", and I split the portfolio (and the watchlist) down into these categories. There is a third category of investment which I refer to as "Special Opportunities". The table below shows the current split of the portfolio into these three categories. It also shows some features of each category. There are no set weightings for each category; instead, the weightings will change over time reflecting the investment opportunity set at any point in the cycle.

- "Compounders" are defined as companies which, in our view, have been and look set to continue to be reliable and consistent high return companies;
- "Improvers" are on the way, in our view, to achieving "Compounder" status; and
- "Special Opportunities" are as the name implies, but often include being a source of income.

## Classification of holdings as at 31 July 2019

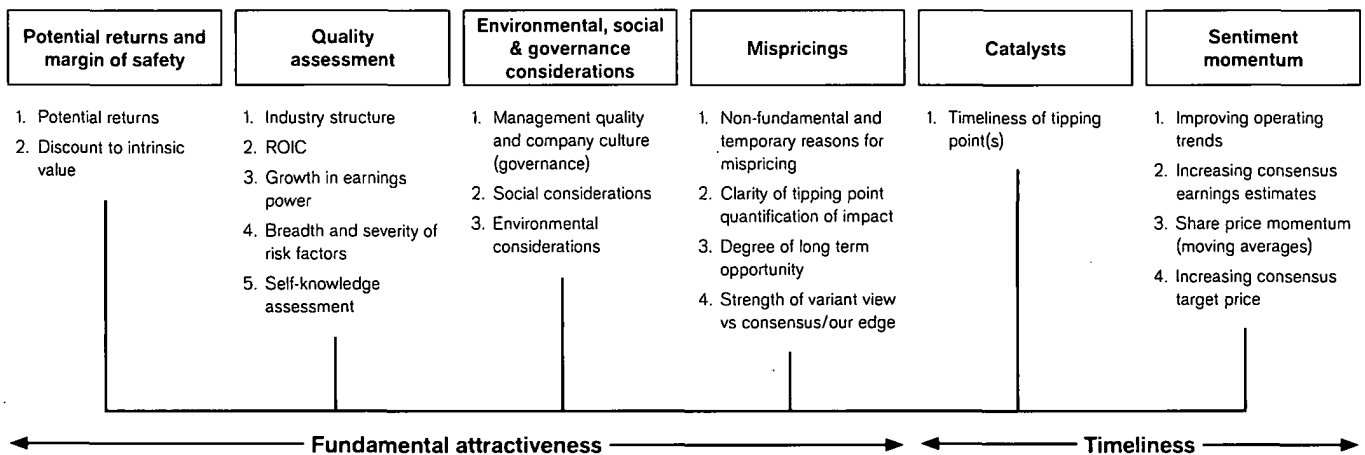
	Compounders Average	Improvers Average	Special Opportunities Average	Company Average	Index Average
<b>Market Capitalisation (£m)</b>	<b>48,512</b>	<b>39,811</b>	<b>29,740</b>	<b>43,487</b>	<b>16,220</b>
Price/book (x)	6.3	1.5	2.1	4.7	2.9
Trailing 12 month dividend yield (%)	2.3	4.9	4.1	3.1	3.2
Trailing 12 month price/earnings (x)	26.4	13.7	38.4	26.3	25.2
Forward 2020 price/earnings (x)	20.2	11.6	17.1	18.1	17.0
Return on equity (%)	23.1	11.2	6.8	18.0	13.6
Operating margin (%)	22.4	15.4	15.4	19.9	15.3
<b>Long Term Debt to Capital (%)</b>	<b>28.6</b>	<b>35.4</b>	<b>41.3</b>	<b>32.1</b>	<b>31.4</b>
<b>Number of Securities</b>	<b>25</b>	<b>8</b>	<b>7</b>	<b>40</b>	<b>501</b>
<b>Weight (%*)</b>	<b>61.4</b>	<b>23.1</b>	<b>16.4</b>		

Source: Factset/Fundamentals in Sterling using arithmetic averages. Cash is omitted in the summary table  
 \* Cellnex Telecom fundamentals are omitted from the Company and index averages due to large distortions

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

For every company that I invest in, or am seriously considering investing in, I will produce a standardised financial model, a detailed piece of research that focuses on the same broad areas for each company (“Investment Thesis”) and a weighted average score for each of the areas of analysis. This standardised approach fulfils two functions. First, it acts as a checklist which helps to minimise avoidable errors or omissions in my analysis and second, it enables

like-for-like comparison of competing investment opportunities. The diagram below shows the six areas of analysis that I focus on. One important point to note is the emphasis on more than just the valuation of a company; the quality of the business and management are also very important. The focus of my analysis reflects a bias towards wanting to own good quality companies; a bias that has long been synonymous with the Company.



## Environmental, social and governance (“ESG”) considerations

My investment process focuses on two key elements: the quality of a business and the long term approach of management. When thinking about those two things and the analytical work that goes behind identifying high quality business with a long term mind set, there is naturally a high degree of overlap between my analysis and that of an “ESG-driven” approach.

Such investment process tends to lead me towards investing in companies that have an attractive ESG profile. However, I go beyond this bias. I mentioned earlier the six areas that my analysis focuses on. One of these six areas, as can be seen above, is ESG; in other words, I explicitly consider issues relevant to a company’s ESG profile and this forms a quantitative part of my overall investment view of each company that I look at. I am well aware that as a fund manager and as an allocator of shareholders’ capital, I have a responsibility to invest in a long term, socially and environmentally responsible way. I will continue to invest with this mind-set and, with the continued support and guidance of the Company’s Board, I will continue to consider how I can do more.

In a recent piece of analysis by Kepler Trust Intelligence, the Company was identified as the highest ranking of all investment trusts in terms of our level of exposure to companies that scored well on ESG criteria. I was extremely pleased by this, especially as it was an outcome of our investment process, and not an objective. I am aware that any external “ESG score” is subject to the specifics of the process, but this provides support for my opinion that shareholders are not forced to make a choice between a financially successful investment and having an ESG conscience.

## My approach to gearing

I see the ability to use leverage as a key advantage of the Investment Trust structure. Over the long term, good quality businesses tend to be able to grow their book value per share and, all else being equal, this should result in their share prices going up over time. By taking on gearing, I am able to increase our exposure to the high quality business that I favour.

For the reason outlined above, I will maintain some level of gearing in most conditions. I see a normal level of gearing as being somewhere between 2% and 6% of NAV, but at times I may be above or below these levels. What I will not try to do is to use gearing in an attempt to time prospective market moves. Instead, the Company’s gearing will increase when I see attractive, stock specific, opportunities to deploy capital and will reduce when I am a net seller of existing positions, again for stock specific reasons.

## The year under review

The table overleaf shows the top 10 contributors and bottom 10 stock detractors over the last year.

Starting with the strongest contributors, I will begin by mentioning a couple of stand-out performances from amongst the Improvers in the portfolio. Koninklijke DSM (“DSM”) was historically a poor, polymer-focused business with average ROIC and unpredictable end markets. DSM has since transformed itself into a business that is now >75% exposed to much more profitable, higher ROIC and less volatile ingredients end markets. This transition has resulted in a material re-rating of the equity valuation of the company and I see scope for a further re-rating over the coming years.

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

### Top ten contributors to and bottom detractors from absolute performance

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Philips was originally focused on light bulbs and then on consumer electronics. Both of these markets became heavily commoditised over time and the business began to transition towards some niche, high value-add areas of healthcare equipment. Philips is now a global leader in these areas and, as with DSM, it has seen a material re-rating as it has transitioned.

Within the Compounders, Hermès and SAP both performed well. Hermès is reaping the rewards from a consistently long term capital allocation focus and the classic timeliness of its brands. This is an expensive company, but one that I am more than willing to run with given their well entrenched market position, exceptional ROIC profile and exposure to structural growth. SAP has been a business the Company has owned for a while and has been, at times, a source of frustration. However, towards the end of the period under review, management came out with some new medium term targets that implied a 400bps improvement in operating margins and this was taken well by the market.

From amongst our detractors, Equinor, the Norwegian oil & gas company, suffered from weak end markets, a higher-than-peers exposure to European gas markets and from a generally weak operational performance. Novartis, a company that I sold during the period, rallied strongly after our sale causing its negative contribution.

This was disappointing, but I sold for long term fundamental reasons and I will never time every sale (or purchase) right. Finally, UBS has suffered from an underperforming Wealth Management business.

### New additions

During the year, I sold 14 of our existing holdings and added eight new positions leading to the overall number of positions reducing from 46 to 40. This is reflective of my desire to run what I would describe as a relatively concentrated portfolio. In my view, 40 holdings provides more-than-ample diversification.

I initiated a position in Bawag, an Austrian bank, largely focused on retail markets. Bawag is a high Return on Tangible Equity ("ROTE") bank due to cost efficiency and its sensible capital allocation. The valuation is low and the company are seeking approval to return a significant amount of excess capital through a large share buyback program.

I also bought a position in Vivendi, a French media conglomerate. Vivendi, with its diverse array of controlling and minority investments, is a complex business to analyse properly, however, I see a significant undervaluation of one of its key assets, the 100% owned Universal Music Group ("UMG"). There are several positive aspects

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

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to UMG, but I am primarily attracted by its oligopolistic market position in a music market that has returned to growth and its huge long term potential for further growth as paid streaming services increase their penetration of emerging markets. Tencent has recently agreed to buy 10% of UMG, with an option to purchase a further 10% and others may come in. This process should highlight to the market the significant undervaluation of UMG and Vivendi itself.

### Markets and outlook

As the last year has progressed, there has been a clear weakening in end market demand in several areas of the market, for example autos, semi-conductors and chemicals as three of the most obvious of these areas. All three are exposed to the vagaries of Chinese demand (and supply) as well as being exposed to sentiment around global trade; it is these two features that likely account for a large degree of their observed weakness. There are also areas of the market where demand is holding up very well: software, certain consumer staples and many areas of healthcare. These observations really sum up current market conditions; we have seen pockets of weakness, but no widespread collapse in demand. We also have to remember that the current sluggish demand environment is happening at a time of ultra loose monetary policy. This should prove supportive, especially when combined with currently inexpensive equity valuations.

I am finding opportunities to add to existing holdings and new positions for the watchlist. Over the past year, the Company has moved from a position of a net cash balance to a position of modest leverage. I will continue to spend my time trying to identify the best Compounders and Improvers from across Continental Europe. I look forward to updating you in my next report.

Jamie Ross  
Fund Manager

## Strategic Report: Portfolio Information

### Ten largest investments at 31 July 2019

Ranking 2019	Ranking 2018	Company	Principal activities	Country	Valuation 2019 £'000	Valuation 2018 £'000	% of portfolio 2019	% of portfolio 2018
1	3	<b>Koninklijke DSM</b>	DSM is a Dutch-based multinational life sciences and materials sciences company. The company's global end markets include food and dietary supplements, personal care, feed, pharmaceuticals, medical devices, automotive, paints, electrical and electronics, life protection, alternative energy and bio-based materials.	Netherlands	14,956	10,269	5.42	4.02
2	15	<b>Nestlé</b>	Nestlé S.A. is a multinational packaged food company that manufactures and markets a wide range of food products. The company's product line includes milk, chocolate, confectionery, bottled water, coffee, creamer, food seasoning and pet foods.	Switzerland	14,633	6,753	5.31	2.65
3	2	<b>Novo-Nordisk</b>	Novo-Nordisk is a Denmark-based world leader in insulin and diabetes care.	Denmark	12,409	10,516	4.50	4.12
4	5	<b>Munich Re.</b>	The company offers reinsurance, insurance and asset management services.	Germany	12,217	9,297	4.43	3.64
5	9	<b>SAP</b>	SAP is the world leader in enterprise applications in terms of software and software-related service revenue.	Germany	11,491	7,719	4.17	3.02
6	6	<b>Roche</b>	Roche develops and manufactures pharmaceutical and diagnostic products. The company produces prescription drugs in the areas of cardiovascular, infectious, autoimmune, respiratory diseases, dermatology, metabolic disorders, oncology, transplantation and the central nervous system.	Switzerland	11,131	8,048	4.04	3.15
7	8	<b>Koninklijke Philips</b>	Philips is a health technology company focused on improving people's health across the health continuum from healthy living and prevention, to diagnosis, treatment and home care. The company offers products and services in diagnostic imaging, image-guided therapy, patient monitoring and health informatics, as well as in consumer health and home care.	Netherlands	11,013	7,815	3.99	3.06
8	10	<b>Total</b>	Total explores for, produces, refines, transports and markets oil and natural gas.	France	10,482	7,664	3.80	3.00
9	11	<b>Deutsche Telekom</b>	Deutsche Telekom AG offers telecommunications services. The company offers a full range of fixed-line telephone services, mobile communications services, internet access, and combined information technology and telecommunications services for businesses.	Germany	9,223	7,131	3.35	2.79
10	31	<b>Orange</b>	Orange SA provides telecommunications services to residential, professional, and large business customers. The company offers public fixed-line telephone, leased lines and data transmission, mobile telecommunications, cable television, internet and wireless applications, and broadcasting services, as well as telecommunications equipment sales and rentals.	France	8,371	4,082	3.04	1.60
<b>Total</b>					<b>115,926</b>	<b>79,294</b>	<b>42.05</b>	<b>31.05</b>

## Strategic Report: Portfolio Information (continued)

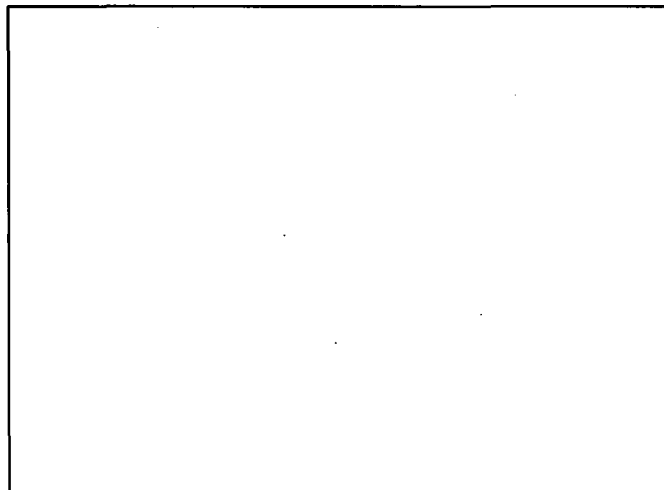
Investment Portfolio as at 31 July

Position 2019	Position 2018	Company	Country	Sector	Market Value 2019 £'000	Percentage of Portfolio 2019
1	3	Koninklijke DSM	Netherlands	Specialist Nutrition and Materials Supplier	14,956	5.42
2	15	Nestlé	Switzerland	Food Producer	14,633	5.31
3	2	Novo-Nordisk	Denmark	Pharmaceuticals and Biotechnology	12,409	4.50
4	5	Munich Re.	Germany	Insurance	12,217	4.43
5	9	SAP	Germany	Enterprise Software	11,491	4.17
6	6	Roche	Switzerland	Pharmaceuticals and Biotechnology	11,131	4.04
7	8	Koninklijke Philips	Netherlands	Medical Equipment	11,013	3.99
8	10	Total	France	Oil and Gas Producers	10,482	3.80
9	11	Deutsche Telekom	Germany	Telecommunications	9,223	3.35
10	31	Orange	France	Telecommunications	8,371	3.04
<b>Top 10</b>					<b>115,926</b>	<b>42.05</b>
11	–	RELX	Netherlands	Data Provider	8,031	2.91
12	–	Vivendi	France	Media	7,941	2.88
13	7	Equinor	Norway	Oil and Gas Producers	7,596	2.76
14	19	Legrand	France	Electrical Installations	7,222	2.62
15	12	Partners Group	Switzerland	Private Equity Asset Manager	7,191	2.61
16	25	Brenntag	Germany	Chemicals	6,875	2.49
17	24	Getlink	France	Industrial Transportation	6,739	2.44
18	27	Linde	Germany	Industrial Gases	6,512	2.36
19	43	ASSA Abloy	Sweden	Construction and Materials	6,478	2.35
20	18	Deutsche Börse	Germany	Financial Services	6,437	2.34
<b>Top 20</b>					<b>186,948</b>	<b>67.81</b>
21	4	Amundi	France	Bank and Asset Manager	6,393	2.32
22	14	Crédit Agricole	France	Banks	5,966	2.16
23	29	Hermès	France	Luxury Goods	5,859	2.13
24	22	UBS	Switzerland	Banks	5,454	1.98
25	35	Rubis	France	Gas and Multiutilities	5,049	1.83
26	37	Dassault Systèmes	France	Application Software	4,979	1.81
27	–	Aéroports	France	Industrial Transportation	4,937	1.79
28	–	Bayer	Germany	Healthcare and Agricultural Products	4,920	1.78
29	36	Grifols	Spain	Blood Plasma Products	4,682	1.70
30	41	Vestas Wind Systems	Denmark	Wind Turbines	4,605	1.67
<b>Top 30</b>					<b>239,792</b>	<b>86.98</b>
31	38	Epiroc	Sweden	Industrial Engineering	4,366	1.58
32	13	SGS	Switzerland	Industrial Testing, Verification and Certification	4,361	1.58
33	20	ING	Netherlands	Banks	4,281	1.55
34	–	Knorr-Bremse	Germany	Automobiles and Parts	3,797	1.38
35	–	Cellnex	Spain	Telecommunications	3,464	1.26
36	–	SIG	Switzerland	Containers and Packaging	3,417	1.24
37	17	Geberit	Switzerland	Sanitary Systems	3,385	1.23
38	34	L'Oréal	France	Personal Goods	3,265	1.18
39	–	Bawag	Austria	Banks	2,986	1.08
40	26	Renault	France	Automobiles and Parts	2,579	0.94
<b>Total</b>					<b>275,693</b>	<b>100.00</b>

In addition to the above, the Company has a nil value position in OW Bunker. OW Bunker is unquoted.

## Strategic Report: Portfolio Information (continued)

Market capitalisation of the portfolio by weight at 31 July 2019<sup>1</sup>

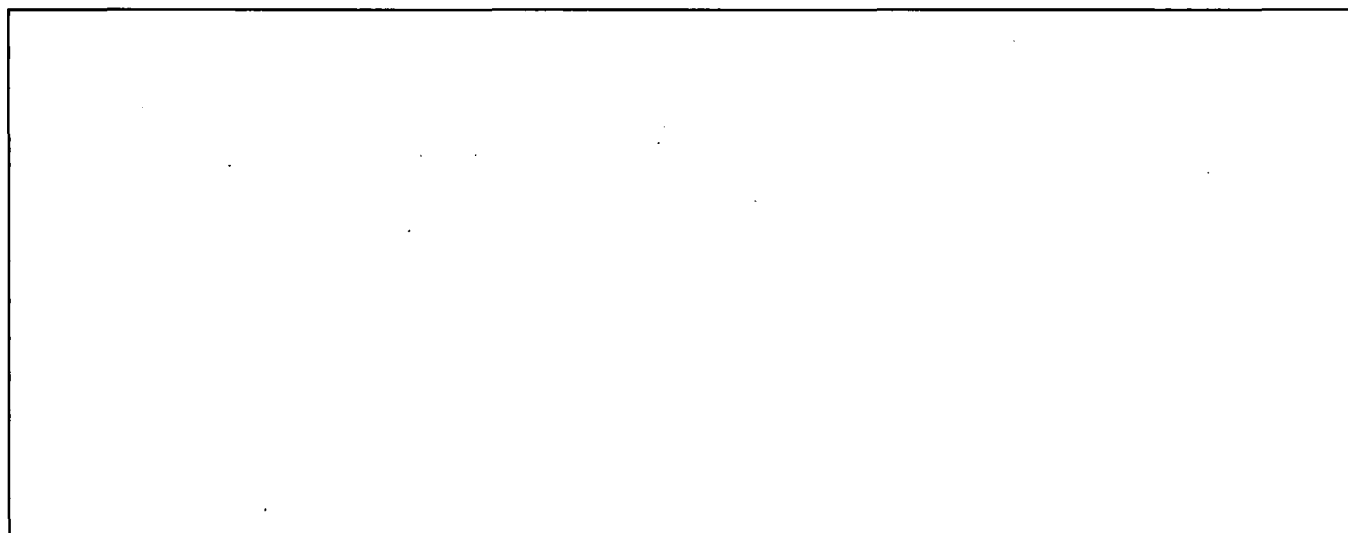


Performance drivers  
Over the year ended 31 July 2019

	%
Benchmark Return	4.7
Sector Allocation	-0.5
Stock Selection	2.6
Currency Movements (relative to index)	0.1
Effect of Cash and Gearing	0.5
Effect of Ongoing Charge (including performance fee)	-0.8
<b>NAV Total Return</b>	<b>6.6</b>

Gearing levels

Over the year to 31 July 2019



Source: Morningstar for the AIC, Janus Henderson

# Strategic Report: Historical Performance and Financial Information

## Total return performance

	1 year %	3 years %	5 years %	10 years %
NAV <sup>1</sup>	6.6	41.4	80.2	232.2
Share Price <sup>2</sup>	4.7	39.2	64.7	236.3
Peer Group – NAV <sup>3</sup>	3.2	39.5	72.5	232.3
Benchmark Index <sup>4</sup>	4.7	38.1	62.0	152.3

1 Net asset value total return per ordinary share (including dividends reinvested and excluding transaction costs)

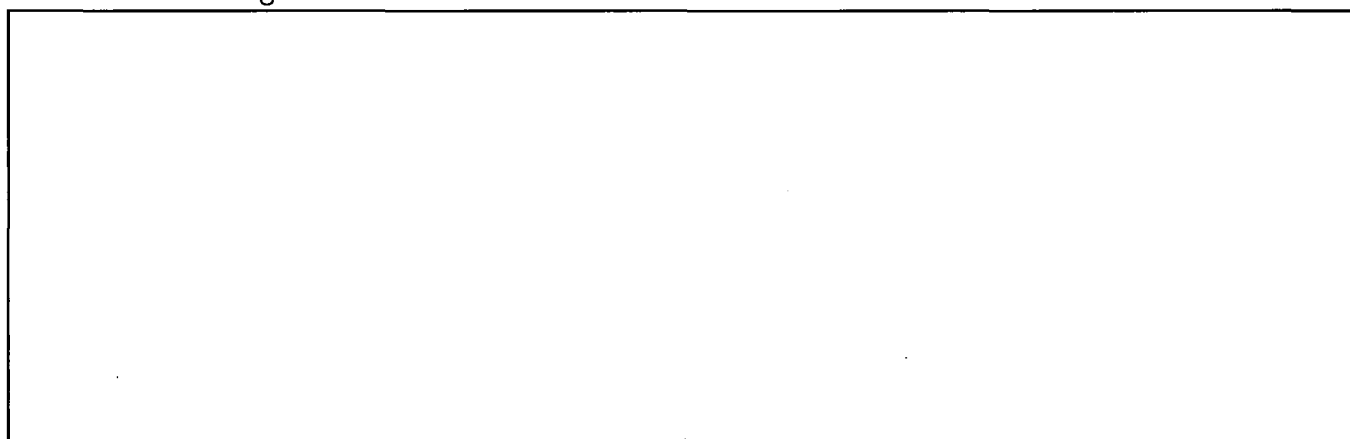
2 Share price total return (including dividends reinvested and excluding transaction costs) using mid-market closing price

3 Arithmetic average net asset value total return for the AIC Europe sector

4 FTSE World Europe (ex UK) Index expressed on a total return basis and in Sterling terms

Source: Morningstar for the AIC

## NAV movement against benchmark index since launch



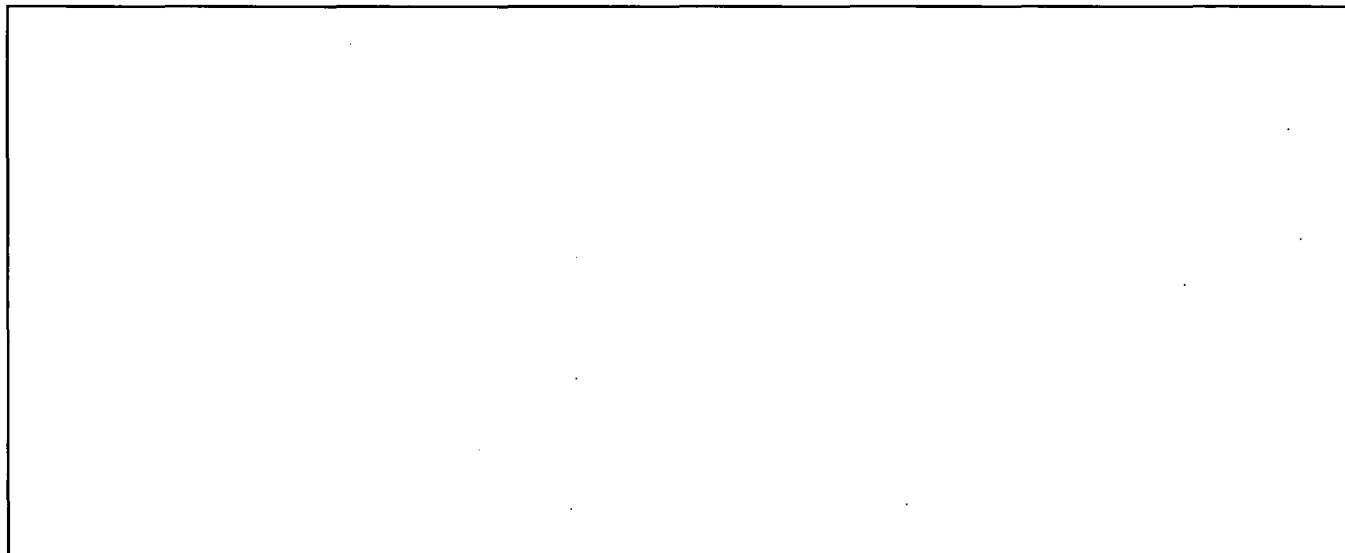
## Financial information

Year ended	NAV per Ordinary Share (p)	Share price percentage premium/ (discount) to NAV per Ordinary Share (%)	Revenue return per Ordinary Share (p)	Dividends per Ordinary Share (p)
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
31 July 2017	1,192.8	(3.3)	27.5	25.0
31 July 2018	1,246.7	(8.2)	33.1	30.5
<b>31 July 2019</b>	<b>1,293.9</b>	<b>(10.0)</b>	<b>29.0</b>	<b>31.0</b>

Source: Factset, Morningstar for the AIC, Janus Henderson

## Directors' Biographies

### Directors



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

#### Nicola Ralston

**Position:** Chairman of the Board

**Date of appointment:** 1 September 2013 (Chairman 26 March 2014)

Nicola has over 35 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. She 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 the investment committee of the British Heart Foundation and a director of Centrica Combined Common Investment Fund Limited. She was formerly a governor of the CFA Institute and a director of The Edinburgh Investment Trust plc.

#### Rutger Koopmans

**Position:** Director

**Date of appointment:** 18 May 2016

Rutger is an experienced senior finance professional. He started his career at MeesPierson NV (formerly Bank Mees & Hope NV), before moving to ING, where he served as a managing director until 2008. Since then, he has been running an independent strategic advisory practice and he is a director at PIT Self-Placement BV and a non-executive partner at M-Partners Asset Management. Rutger holds a number of non-executive directorships in Office Depot Europe BV (chairman), Bovemij Insurance Company NV and Vollenhoven Olie BV and is chairman of the Dutch Association of Credit Unions. Rutger is also the author of "Your Life Your Rules, taking charge of your working life".

#### David Marsh, CBE

**Position:** Director

**Date of appointment:** 24 May 2011

David is chairman and co-founder of the Official Monetary and Financial Institutions Forum ("OMFIF"), senior adviser to Soditic and a board member of the British Chamber of Commerce in Germany. He is a former co-founder, chairman and deputy chairman of the German-British Forum. A former Financial Times journalist, David is a frequent media commentator and the author of six books including "The Battle for the New Global Currency" and "Europe's Deadlock: How The Crisis Could be Solved – And Why It Won't Happen".

#### Ekaterina Thomson (known as Katya)

**Position:** Director and Chairman of the Audit Committee

**Date of appointment:** 17 May 2017 (Chairman of the Audit Committee 15 November 2017)

Katya is a corporate finance, strategy and business development professional with over 25 years of experience with UK and European blue chip companies. She is a non-executive director and audit committee chairman of Miton Global Opportunities plc and AVI Japan Opportunity Trust plc, and a non-executive director of The New Carnival Company CIC. Katya is a member of the Institute of Chartered Accountants in England and Wales.

All the Directors are non-executive and independent of Janus Henderson. All are members of the Audit Committee, currently chaired by Katya Thomson, and the Insider Committee, Management Engagement Committee and Nominations Committee, chaired by Nicola Ralston.

# Strategic Report: Business Model

## Our strategy

The purpose of Henderson EuroTrust plc (the "Company") is to achieve a superior total return for our shareholders from a portfolio of high quality European (excluding the UK) investments. This is achieved through the appointment of external management which operates in accordance with the Company's investment policy following a disciplined process of investment, by controlling costs and using borrowings to enhance returns.

## The Company's status

The Company is an investment company as defined in Section 833 of the Companies Act 2006 (the "Act"). The Company operates as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 ("Section 1158") as amended. The Company has obtained approval from HMRC of its status as an investment trust under Section 1158; the Directors are of the opinion that the Company has conducted its affairs in compliance with Section 1158 since approval was granted and intends to continue to do so. The Company is liable to corporation tax on its net revenue profits but is exempt from corporation tax on capital gains if it has complied at all times with Section 1158.

The Company and the Board are governed by the 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 is listed on the Main Market of the London Stock Exchange and is subject to the Listing Rules, Prospectus Rules and the Disclosure Guidance and Transparency Rules published by the Financial Conduct Authority ("FCA").

## Investment objective

The Company aims to achieve a superior total return from a portfolio of high quality European (excluding the UK) investments.

## Investment policy

### Asset allocation

The portfolio will contain between 40 and 60 stocks.

The Company seeks to invest 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 will not hold more than 10% of the share capital of any company at the time of investment.*

The Company will not invest more than 15% of gross assets in any one company or group of companies.

The Company can hold investments from any combination of European countries and the portfolio is not constructed with a yield target.

The Company may invest in companies that are not listed on a stock exchange although in aggregate these may not amount to more than 10% of the portfolio.

### Derivatives

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

## Gearing

The Company's Articles of Association 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.

## Management

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

The Company has an independent Board of Directors which 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 ("HGIL") 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 FCA. References to the Manager within this report refer to the services provided by HIFL and HGIL. Both entities are wholly owned subsidiaries of Janus Henderson Group plc, referred to as Janus Henderson.

The investment management agreement with HIFL is reviewed annually by the Management Engagement Committee.

Janus Henderson and its subsidiaries also provide accounting, company secretarial and general administrative services. Some of the administration, accounting and cash management services are carried out, on behalf of the Manager, by BNP Paribas Securities Services. Melanie Stoner (Fellow of the Chartered Governance Institute) acts as Company Secretary on behalf of the Corporate Secretary, Henderson Secretarial Services Limited.

## Fund Manager

The portfolio is managed by Jamie Ross. Jamie became the sole Fund Manager following Tim Stevenson's retirement at the end of February 2019. He was previously appointed as Joint Fund Manager with effect from October 2018 having been appointed as Deputy Fund Manager in March 2017. Jamie joined Janus Henderson in 2007, and has worked in the European Equities team since 2009. He also manages the Janus Henderson Horizon Pan European Equity Fund. Jamie graduated with a BA degree (Hons) in Economics from Durham University. He holds the Chartered Financial Analyst designation and has 12 years of financial industry experience.

## Fees

Management fees are charged in accordance with the terms of the management agreement, and provided for when due. With effect from 1 January 2019, the performance fee arrangements were removed. No performance fee had been earned at the date on which the arrangements were removed (year ended 31 July 2018: £nil).

With effect from 1 January 2019, the base management fee has been calculated at the rate of 0.65% per annum of net assets up to £300 million and 0.55% for net assets above £300 million, payable quarterly in arrears. Prior to 1 January 2019, the base management fee was calculated at the rate of 0.65% per annum of net assets up to £250 million and 0.55% for net assets above £250 million, payable quarterly in arrears.

# Strategic Report: Business Model (continued)

## Promoting the Company's success

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

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

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

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

## Culture

As explained above, the Directors' overarching duty is to promote the success of the Company for the benefit of investors, with consideration of stakeholders' interests. The Company's main stakeholders are the Company's shareholders, the Manager and other service providers.

The Board applies various policies, practices and behaviour to ensure that the Board's culture is in line with the Company's

purpose, values and strategy. The Directors promote mutual support combined with constructive challenge. Integrity, fairness and diligence are defining characteristics of the Board's culture.

The Company has a number of policies and procedures in place to assist with maintaining a culture of good governance including those relating to Directors' conflicts of interest, Directors' dealings in the Company's shares, bribery (including the acceptance of gifts and hospitality) and tax evasion. The Board assesses and monitors compliance with these policies regularly through Board meetings and the annual evaluation process (for more information see the performance evaluation section on page 28).

The Board seeks to appoint the best possible service providers and evaluates the service on a regular basis as described on page 28. The Board considers the culture of the Manager and other service providers through regular reporting and by receiving regular presentations from these stakeholders. The Board also seeks to control the Company's costs, thereby enhancing performance and returns for the Company's shareholders.

Directors are also required to consider the impact on the community and environment. The Board further describes the Company's and Manager's approach to environmental, social and governance matters on pages 18 and 19.

## Principal risks and uncertainties

The Board, with the assistance of the Manager, 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's negotiations to leave the European Union.

With the assistance of the Manager, the Board has drawn up a risk map 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 Board monitors the Manager, its other suppliers and the internal and external environments in which the Company operates to identify new and emerging risks. The Board's policy on risk management has not materially changed from last year. The principal risks which have been identified and the steps taken by the Board to mitigate these are as follows:

Risk	Mitigation
<p><b>Investment activity and performance</b> 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.</p>	<p>The Board monitors investment performance at each Board meeting and regularly reviews the extent of its borrowings.</p>
<p><b>Portfolio and market</b> 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.</p>	<p>The Board reviews the portfolio at each meeting and mitigates risk through diversification of investments in the portfolio.</p>

## Strategic Report: Business Model (continued)

Risk	Mitigation
<p><b>Regulatory</b> 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 FCA's 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.</p>	<p>The Manager is contracted to provide investment, company secretarial, administration and accounting services through qualified professionals. The Board receives internal controls reports produced by Janus Henderson on a quarterly basis, which confirm regulatory compliance.</p>
<p><b>Operational and cyber</b> 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. The Company may also be exposed to the risk of cyber attack.</p>	<p>The Board monitors the services provided by the Manager and its other suppliers and receives reports on the key elements in place to provide effective internal control. During the year the Board receives reports on the Manager's approach to information security and cyber attack. The Board considers the loss of the Fund Manager as a risk but this is mitigated by the experience of the team at Janus Henderson.</p>

It is the Board's view that the changing nature of the institutional (non-retail) shareholder base, demographical changes (needing to make sure there is demand from the younger generation), technological changes (primarily artificial intelligence) and environmental sustainability (shareholder expectations and regulation affecting portfolio companies/stock selection and the Company's performance and demand for its shares) are emerging risks. The Board pro-actively monitors all of these factors and has a strong focus on continuing to educate itself about any relevant issues.

Details of how the Board monitors the services provided by Janus 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 29. Further details of the Company's exposure to market risk (including market price risk, currency risk and interest rate risk), liquidity risk and credit and counterparty risk and how they are managed are contained in Note 15 on pages 49 to 54.

### Viability statement

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

The assessment has considered the potential impact 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, materialising 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 five 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 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 due to the UK's negotiations to leave the European Union, the Board does 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 Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five 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.

## Strategic Report: Business Model (continued)

### Key performance indicators

In order to measure the success of the Company in meeting its objective and to evaluate the performance of the Manager, the Directors take into account the following key performance indicators ("KPIs"). The charts, tables and data on pages 2, 3 and 13 show how the Company has performed against those KPIs:

KPI	Action
<b>Performance measured against the benchmark</b>	The Board reviews and compares, at each of its meetings, the performance of the portfolio as well as the net asset value and share price for the Company and the return of its benchmark index, the FTSE World Europe (ex UK) Index. The Board considers this to be its most important key performance indicator.
<b>Premium/discount to net asset value ("NAV")</b>	<p>The Board monitors the level of the Company's premium/discount to NAV and looks at ways of managing this at Board meetings. The Board reviews the average premium/discount of the peer group companies in the AIC Europe Sector.</p> <p>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.</p> <p>The Board considers whether to use share buybacks to enhance shareholder value. Shares are only bought back at a price below the prevailing NAV, thereby increasing the NAV for the remaining shareholders.</p> <p>The Board will continue to instruct purchases as required and in accordance with the authority granted.</p> <p>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 includes 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.</p>
<b>Performance against the Company's peer group</b>	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.
<b>Ongoing charge</b>	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, gains or losses arising on investments and performance fees. The ongoing charge is based on actual costs incurred in the year as being the best estimate of future costs. The Board reviews the ongoing charge and monitors the expenses incurred by the Company. The ongoing charge at 31 July 2019 including the performance fee was 0.81% (2018: 0.81%) of net asset value (the ongoing charge excluding the performance fee was 0.81% (2018: 0.81%)). With effect from 1 January 2019, the performance fee arrangements were removed.

### Borrowings

The Company has in place an unsecured loan facility which allows it to borrow as and when appropriate. £25 million is available under the facility (2018: £25 million). The maximum amount drawn down in the year under review was £12.6 million (2018: £20.3 million), with borrowing costs for the year totalling £35,000 (2018: £52,000). £3.6 million of the facility was in use at the year end (2018: none). Actual gearing at 31 July 2019 was 0.6% (2018: nil) of net asset value.

### Our approach to environmental, social and governance matters

Responsible ownership and the Stewardship Code  
Responsible Investment is the term used to cover the Manager's work on environmental, social and corporate governance ("ESG")

issues in the Company's investee companies. Janus Henderson supports the UK Stewardship Code, and seeks to protect and enhance value for our shareholders through active management, integration of ESG factors into investment decision making, voting and company engagement.

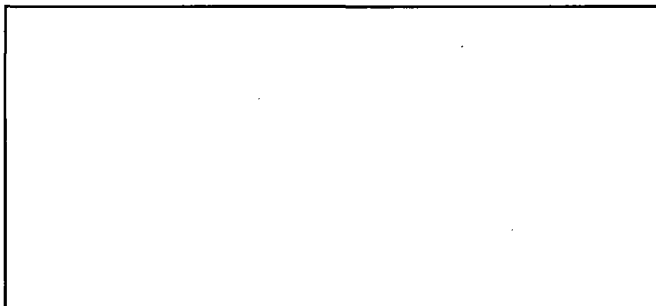
The Board believes that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. We have chosen to delegate responsibility to the Manager for voting the rights attached to the shares held in the Company's portfolio as the Manager actively votes at shareholder meetings and engages with companies as part of the voting process.

Voting decisions are made in consultation with the Fund Manager, who has an in-depth understanding of the respective company's operations. Voting decisions are taken in keeping with the provisions

# Strategic Report: Business Model (continued)

of the Manager's Responsible Investment Policy ("RI Policy"), which is made publicly available so investee companies have the ability to make themselves aware of our expectations in this respect. In order to retain oversight of the process, we regularly receive reporting on how the Manager has voted the shares held in the Company's portfolio and review, at least annually, the RI Policy, which sets out the Manager's approach to corporate governance, corporate responsibility and Janus Henderson's compliance with the UK Stewardship Code. The RI Policy can be found on the Manager's website at [www.janushenderson.com](http://www.janushenderson.com).

In the period under review, investee companies held 350 general meetings. The shares held in the Company's portfolio were voted in respect of 284 of these meetings. The level of governance in leading global companies is generally of a high standard in terms of best practice which meant support in favour of the resolutions proposed by management was warranted. However, in respect of 11.6% of the resolutions proposed, support was not warranted and, following discussion between the Fund Manager and Janus Henderson's governance team, the shares were voted against the passing of the resolution. On occasion, the Manager might make a voting decision following consultation with the Chairman on behalf of the Board.



In terms of the resolutions not supported, these covered two predominant themes relating to the undue dilution of shareholders' interests in the investee company and executive remuneration.

The Company's shares in one jurisdiction were instructed as "do not vote" due to operational issues that might lead to a position where the Fund Manager was unable to transact in the shares once they had been voted until after the relevant meeting.

### The environment

As an investment company, the Company's own direct environmental impact is minimal. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

### Business ethics

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

### Communicating with our shareholders

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

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

The Fund Manager provides presentations to shareholders and analysts following the publication of the annual financial results.

The Fund Manager attends the AGM and provides a presentation on the Company's performance and the future outlook. We encourage shareholders to attend and participate in the AGM, which is available to watch live by visiting [www.janushenderson.com/trustslive](http://www.janushenderson.com/trustslive). Shareholders have the opportunity to address questions to the Chairman of the Board, the Fund Manager and all Directors.

In the event shareholders wish to raise issues or concerns with the Directors, they are welcome to do so at any time by writing to the Chairman at the registered office. Other members of the Board are also available to shareholders if they have concerns that have not been addressed through the normal channels.

### Board diversity

It is the Company's aim to have an appropriate level of diversity in the boardroom. The Nominations Committee considers diversity generally when making recommendations for appointments to the Board, taking into account gender, social and ethnic backgrounds, cognitive and personal strengths, and experience. Our prime responsibility, however, is the strength of the Board and our overriding aim in making any new appointments must always be to select the best candidate based on objective criteria and merit.

Currently the Board comprises four Directors: two male and two female. The Company has no employees and, therefore, there is nothing further to report in respect of gender representation within the Company.

For and on behalf of the Board

Nicola Ralston  
Chairman  
4 October 2019

## Strategic Report: Glossary

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### 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.

### Alternative performance measures

A glossary of alternative performance measures can be found on pages 56 and 57.

### 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. The Company is in the AIC Europe Sector.

### 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

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

### Derivative

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

### Dividend dates

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

### Dividend yield

The annual dividend (see Note 10) expressed as a percentage of the share price (see page 3).

### 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.

# Corporate Report

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# Report of the Directors

The Directors present the audited Financial Statements of the Company and their report for the year from 1 August 2018 to 31 July 2019. Henderson EuroTrust plc (the "Company") (a public limited company registered in England & Wales with company registration number 2718241) was active throughout the year under review and was not dormant.

The Investment Portfolio on pages 10 and 11, the Corporate Governance Statement and Report of the Audit Committee on pages 26 to 33 and the Shareholder Information on pages 58 and 59 form part of the Report of the Directors.

## 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 each 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 2019 and 31 July 2018 there were 21,205,541 ordinary shares in issue (of which 20,000 were held in treasury). No shares were issued during the year or in the period from 1 August 2019 to 4 October 2019. Shares in treasury do not carry voting rights, therefore, as at 31 July 2019 and 4 October 2019 the number of shares in issue (with voting rights) was 21,185,541.

The Directors seek annual authority from shareholders to allot new ordinary shares, to disapply pre-emption rights of existing shareholders and to buyback ordinary shares for cancellation or to be held in treasury. At the AGM held in November 2018 the Directors were granted authority to buyback 3,178,710 shares (being 14.99% of the issued ordinary share capital as at 14 November 2018). In the period from 1 August 2019 to 4 October 2019 the Company did not buyback any ordinary shares. There remained 3,178,710 ordinary shares available within the buyback authority granted in 2018. This authority will expire at the conclusion of the 2019 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 2019 in accordance with the Disclosure Guidance and Transparency Rules were as follows:

Shareholder	% of voting rights
Brewin Dolphin	10.5
1607 Capital	7.5
Investec Wealth & Investment	6.8
Smith & Williamson	5.3
Rathbone Investment Management	5.2
Royal Bank of Scotland	4.0

The Company was notified that the Investec Wealth & Investment interest had decreased to 5.0% and the 1607 Capital interest had increased to 10.0% on 11 September 2019, and Rathbone Investment Management interest had decreased to 4.8% on 23 September 2019. No other changes have been notified in the period 1 August 2019 to 4 October 2019.

## Related party transactions

The Company's transactions with related parties in the year were with its Directors and the Manager. 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 25.

In relation to the provision of services by the Manager, other than fees payable by the Company in the ordinary course of business and the facilitation of marketing activities with third parties, there have been no material transactions with the Manager affecting the financial position of the Company during the year under review. More details on transactions with the Manager, including amounts outstanding at the year end, are given in Note 19 on page 55.

## Annual General Meeting ("AGM")

The AGM will be held on Wednesday 13 November 2019 at 2.30 pm at the Company's registered office. The Notice of Meeting and details of the resolutions to be put to the AGM are contained in the circular sent to shareholders with this report.

The Company's AGM will be broadcast live on the internet. If you are unable to attend in person, you can watch the meeting by visiting [www.janushenderson.com/trustslive](http://www.janushenderson.com/trustslive).

## 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 information

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

By order of the Board



For and on behalf of

Henderson Secretarial Services Limited

Corporate Secretary

4 October 2019

# Statement of Directors' Responsibilities

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The Directors are responsible for preparing the Annual Report, 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 FRS 102 "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 Disclosure Guidance and Transparency Rule 4.1.12

Each of the Directors, who are listed on page 14, 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.

For and on behalf of the Board

Nicola Ralston  
Chairman  
4 October 2019



# Directors' Remuneration Report

## Report on implementation

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 FCA and describes how the Board has applied the principles relating to Directors' remuneration. The Company's remuneration policy was originally approved by shareholders at the Annual General Meeting in 2014 and again in 2017 in accordance with section 439A of the Act. The policy will remain in place until 2020, unless amended by way of an ordinary resolution put to shareholders at a General Meeting. No changes to the policy are currently proposed.

The Board may amend the level of remuneration paid to individual Directors within the parameters of the Remuneration Policy.

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 appointed a remuneration committee to consider such matters. 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 and to enable candidates of a high calibre to be recruited. Directors, including any new appointments to the Board, are paid at the same rate, apart from the Chairman of the Board and the Chairman of the Audit Committee who are paid a higher fee in recognition of their additional responsibilities. The level of remuneration paid to each Director is reviewed annually, although such review will not necessarily result in any change to the rate; any feedback from shareholders would be taken into account when setting remuneration levels. Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties.

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

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

## Annual statement

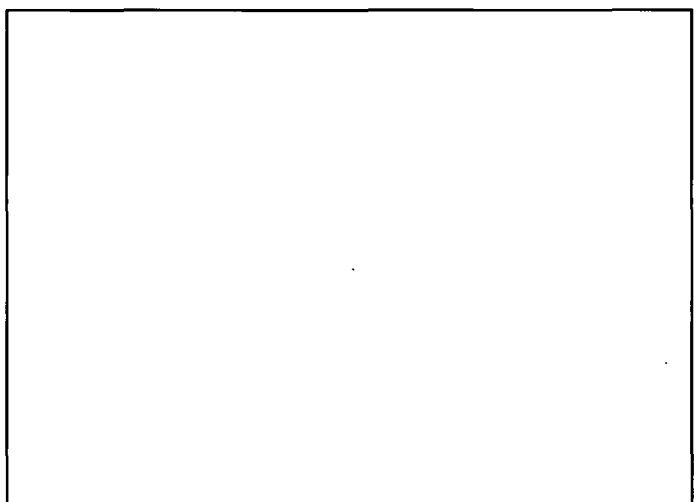
As Chairman, Nicola Ralston reports that following an annual review of fees in July 2018, Directors' fees were increased with effect from 1 August 2018 to £35,000 for the Chairman, £29,000 for the Chairman of the Audit Committee and £25,000 for Directors. The increases were made after consideration of the time spent on the Company by each of the Directors, fees paid to directors of investment trusts in the peer group and the other Janus Henderson managed investment trusts. The increase in the Company's value since August 2014 and the increase in the regulatory burden were also determining factors in the Board's conclusion.

Certain Director expenses are deemed to be taxable and therefore income tax will be paid on them. In 2018, the Board determined that travel and other expenses attributable to Director attendance at Board, Committee and other relevant meetings be treated as taxable. In order to ensure that non-UK resident Directors were not disadvantaged relative to UK Directors and potentially deterred from serving on the Board, the Board has further determined that non-UK resident Directors would be paid an additional amount of £5,735 per annum in lieu of these individuals claiming travel and other expenses (including overnight stays where necessary) attributable to their attendance at Board, Committee and other relevant meetings. In reaching its decision the Board considered the number of meetings held annually, the total taxable expenses previously paid by the Director and other expenses paid by the Company on an annual basis over the preceding two years. The resulting additional amount paid to non-UK resident Directors ensures that those Directors do not incur personal expense for their attendance at relevant meetings. The resulting aggregate remuneration for Directors does not exceed £150,000 and is in accordance with the policy in terms of the authorisation for Directors to claim reasonable expenses from the Company in relation to the performance of their duties.

There have been no other major decisions on Directors' remuneration or any other changes to the remuneration paid to each individual Director in the year under review.

## Performance

The graph below compares the mid-market price of the Company's ordinary shares over the ten year period ended 31 July 2019 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 2019 and 31 July 2018 was as follows:

	Year ended 31 July 2019 Total salary and fees £	Year ended 31 July 2018 Total salary and fees £	Year ended 31 July 2019 Taxable benefits £	Year ended 31 July 2018 Taxable benefits £	Year ended 31 July 2019 Total £	Year ended 31 July 2018 Total £
Nicola Ralston <sup>1</sup>	35,000	30,000	–	–	35,000	30,000
John Cornish <sup>2</sup>	–	7,875	–	–	–	7,875
Rutger Koopmans <sup>3</sup>	25,000	22,000	4,306	2,761	29,306	24,761
David Marsh	25,000	22,000	–	–	25,000	22,000
Katya Thomson <sup>4</sup>	29,000	24,133	–	–	29,000	24,133
<b>Total</b>	<b>114,000</b>	<b>106,008</b>	<b>4,306</b>	<b>2,761</b>	<b>118,306</b>	<b>108,769</b>

### 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 Retired on 15 November 2017

3 During 2018, the Board determined that travel and other expenses attributable to Director attendance at Board, Committee and other relevant meetings be treated as taxable  
4 Chairman of the Audit Committee from 15 November 2017

For the year ended 31 July 2019, the fees paid to Directors were: Chairman £35,000 (2018: £30,000), Chairman of the Audit Committee £29,000 (2018: £25,000) and Directors £25,000 (2018: £22,000). 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.

Non-UK resident Directors will be paid an additional amount of £5,735 per annum in lieu of these individuals claiming travel and other expenses attributable to their attendance at Board, Committee and other relevant meetings. This change was effective from 1 August 2019.

## Directors' interests in shares (audited)

The interests of the Directors in the ordinary shares of the Company at the end of each financial year are shown in the table below.

	Ordinary shares of 5p	
	31 July 2019	31 July 2018
Nicola Ralston	12,000	12,000
Rutger Koopmans	4,900	4,900
David Marsh	7,300	7,300
Katya Thomson	2,500	2,500

There have been no changes to the Directors' holdings in the period 1 August 2019 to the date of this Annual Report.

In accordance with the Company's Articles of Association, no Director is required to hold any shares of the Company by way of qualification.

## Relative importance of expenditure on pay

In order to show the relative importance of expenditure 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 share buybacks during the year. 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.

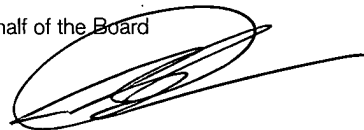
	2019 £'000	2018 £'000	Change £'000	Change %
Total remuneration paid to Directors	118	109	9	8.3
Ordinary dividends paid during the year	6,462	5,508	954	17.3

## Statement of voting at AGM

At the 2018 AGM 7,512,099 votes (99.77%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 17,539 (0.23%) were against, 13 (0.00%) were discretionary and 469,802 were withheld; the percentage of votes excludes votes withheld. In relation to the approval of the Remuneration Policy approved at the 2017 AGM, 5,909,384 (99.80%) were received voting for the resolution, 10,699 (0.18%) were against, 1,328 (0.02%) were discretionary and 4,978 were withheld. The percentage of votes excludes votes withheld.

For and on behalf of the Board

Nicola Ralston  
Chairman  
4 October 2019



# Corporate Governance Statement

The Corporate Governance Statement forms part of the Report of the Directors.

## Applicable corporate governance codes

As the Company maintains a premium listing on the London Stock Exchange and is therefore required to report on how the principles of the UK Corporate Governance Code ("UK Code") issued by the Financial Reporting Council ("FRC") have been applied. Being an investment company, a number of the provisions of the UK Code are not applicable as the Company has no executive directors or internal operations. The Board has therefore considered the principles and provisions of the AIC Code of Corporate Governance ("AIC Code") issued in 2016. The AIC Code addresses the principles and provisions set out in the UK Code issued in 2016, as well as setting out additional provisions on issues that are of specific relevance to investment companies.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC provides more relevant information to shareholders and that by reporting against the AIC Code the Company has met its obligations in relation to the UK Code and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules.

The UK Code is available on the FRC website ([www.frc.org.uk](http://www.frc.org.uk)). The AIC Code is available on the AIC website ([www.theaic.co.uk](http://www.theaic.co.uk)) and includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

In 2018, the FRC issued a revised UK Code and as a result the AIC issued a revised AIC Code in 2019. Additional disclosures have been made which reflect the new AIC Code provisions.

## Statement of compliance

The Company has complied with the principles and provisions of the AIC Code except in respect of the appointment of a senior independent director.

No senior independent director has been appointed. All the Directors have different qualities and areas of expertise on which they lead to whom concerns can be conveyed if shareholders do not wish to raise concerns with the Chairman or the Chairman of the Audit Committee. The Chairman of the Audit Committee leads the annual evaluation of the Chairman's performance.

## Directors

The Board has set, and each Director has agreed to adopt, generic terms and conditions of appointment of non-executive Directors of the Company, a copy of which is available for inspection at the Company's registered office during normal business hours and at the Company's AGM.

### Appointment and retirement

The Board may appoint Directors to the Board without shareholder approval. Any Director so appointed must stand for election by the

shareholders at the next AGM in accordance with the Articles of Association.

In accordance with the AIC Code, all Directors stand for re-election annually.

The contribution and performance of the Directors seeking re-election was reviewed by the Nominations Committee at its meeting in July 2019, which recommended to the Board their continuing appointment.

Under the Articles of Association shareholders may remove a Director before the end of his or her 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.

### Tenure

Whilst there is no formal tenure policy for Directors (other than the Chairman), it is not anticipated that any of the Directors would normally serve in excess of nine years. In exceptional circumstances, which would be fully explained to shareholders at the time, a one or two year extension might be necessary.

No Director has served for more than nine years.

### Chairman's tenure policy

Given the entirely non-executive nature of the Board and as the Chairman may not be appointed as such at the time of their initial appointment as a Director, the Chairman's tenure may be longer where this is considered by the Board to be in the best interests of the Company. It is not anticipated that the Chairman will normally serve in excess of nine years, however, in exceptional circumstances, which would be fully explained at the time, a one or two year extension might be necessary. As with all Directors, the continuing appointment of the Chairman is subject to a satisfactory performance evaluation, annual re-election by shareholders and may be further subject to the particular circumstances of the Company at the time he or she intends to retire from the Board. The Directors are cognisant of the benefits of Board diversity and the regular refreshment of the Board's membership and seek to refresh the Board while retaining a balance of knowledge of the Company, diversity and the relationship with the Fund Manager.

### Directors' independence

All Directors are non-executive, have a range of other interests and are not dependent on the Company itself. At the Nominations Committee meeting in July 2019, the Directors reviewed their independence and confirmed that all Directors remain wholly independent of the Manager. 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.

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.

# Corporate Governance Statement (continued)

## 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 and the register of interests. 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. The Chairman has had no relationship that may have created a conflict between her interests and those of the Company's shareholders.

## Directors' professional development

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

## Directors' insurance and indemnification

Directors' and officers' liability insurance cover was in place 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 Company has granted indemnity to Directors to the extent permitted by law in respect of liabilities that may attach to them in their capacity as Directors of the Company.

## The Board

### Board composition

The Board comprises four non-executive Directors who have served throughout the year. The biographies are included on page 14. Those details demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors. Rutger Koopmans is resident in the Netherlands. The other members of the Board are resident in the UK.

### Responsibilities of the Board and its Committees

The Board is collectively responsible for the success of the Company. Its role is to provide leadership within a framework of prudent and

effective controls that enable risk to be assessed and managed. The Board is responsible for setting the Company's standards and values and for ensuring that its obligations to its shareholders and others are understood and met. The Board sets the Company's strategic aims (subject to the Company's Articles of Association, and to such approval of the shareholders in General Meeting as may be required from time to time) and ensures that the necessary resources are in place to enable the Company's objectives to be met.

The Board 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 Chairman is responsible for leading the Board and for ensuring that it continues to deal effectively with all the aspects of its role.

The Board has a formal schedule of matters specifically reserved for its decision, which include strategy and management, structure and capital, financial reporting and controls, internal controls, contracts, communications, Board membership and other appointments, delegation of authority, remuneration, corporate governance and policies. The schedule of matters reserved for the Board is available on the website [www.hendersoneurotrust.com](http://www.hendersoneurotrust.com).

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.

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 the Manager has discretion to act, and regularly reviews investment strategy. The Board regularly receives reports from the Manager on marketing and investor relations. The Board has adopted a procedure for Directors to take independent professional advice in the furtherance of their duties at the expense of the Company. 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](http://www.hendersoneurotrust.com) or via the Corporate Secretary. The Company also has an Insider Committee to deal with the obligations of the Market Abuse Regulation.

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.

# Corporate Governance Statement (continued)

## Audit Committee

The Audit Committee comprises all of the Directors and is chaired by Katya Thomson, 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 Audit Committee's members has recent and relevant financial experience. The Audit Committee as a whole is considered to have competence relevant to the sector. 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 31 to 33.

## 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 Management Engagement Committee met in July 2019 to carry out its annual review of the Manager, the results of which are detailed on page 30.

## 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 Nominations 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 and tenure policy, the Nominations Committee bears in mind the balance of skills, knowledge, experience, gender and diversity of Directors, the achievement of the Company's investment objective and compliance with the Company's Articles of Association and the AIC Code. Individual performance and contribution of each Director remains a key element of the Company's approach in making determinations on tenure. The Nominations Committee considers diversity as part of the annual performance evaluation and it is considered 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 for 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 recruitment becomes necessary and did so with the recruitment of Stephen King who will join the Board on 1 December 2019, in respect of which Stephenson Executive Search Limited, who has not provided any other services to the Company, was engaged.

The Nominations 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 Nominations Committee also takes into account the mix of skills and experience of the current Board members. The Committee considers the time commitment of the Directors including other business commitments and appointments. Following review, and taking account of the FRC's guidance, the Committee considered that no Director was "overboarded".

The Nominations Committee met in July 2019 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.

## 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 Regulation and the FCA'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 2018.

	Board	AC	MEC	NC
<b>Number of meetings</b>	<b>6</b>	<b>3</b>	<b>1</b>	<b>1</b>
Nicola Ralston	6/6	3/3	1/1	1/1
Rutger Koopmans	6/6	3/3	1/1	1/1
David Marsh	6/6	3/3	1/1	1/1
Katya Thomson	6/6	3/3	1/1	1/1

AC: Audit Committee

MEC: Management Engagement Committee

NC: Nominations Committee

The Insider Committee did not meet during the year.

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, amendments to the fee arrangements and the audit tender.

## Performance evaluation

The performance of the Company is considered in detail at each Board meeting. In the year under review the Nominations Committee conducted a review of the Board's 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 questionnaires were supplied to the Chairman who collated the results and provided a summary to the Board. The Chairman of the Audit Committee collated the responses and provided a summary in respect of the evaluation of the Chairman. It was concluded that the performance of the Board, its Committees, the Chairman and each individual Director was 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,

# Corporate Governance Statement (continued)

the Chairman continues to display effective leadership and Directors seeking re-election at the Company's AGM merit re-election by shareholders.

## Internal control

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Audit Committee supports the Board in the continuous monitoring of the internal control and risk management framework.

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

The key components of the internal control framework include:

- clearly defined investment criteria which specify levels of authority and exposure limits. The Board reviews reports on compliance with the criteria at each meeting;
- regular reporting which allow the Board to assess the Company's financial position. The management accounts and forecasts are reviewed by the Board at each meeting;
- the contractual agreements with the Manager and other third-party service providers. The Board reviews performance levels and adherence to relevant provisions of the agreements on a regular basis through reporting to the Board and conducts a formal evaluation of the overall level of service provided at least annually;
- the review of controls at the Manager and other third-party service providers. The Board receives quarterly reporting from the Manager and Depositary, reviews annual assurance reports on the effectiveness of the control environments at the Company's key service providers; and
- review of additional reporting provided by:
  - the Manager's Enterprise Risk team on the control environment in operation at the Manager and their view of the control environments in place at the third-party service providers used by the Company; and
  - the Manager's Internal Audit team on areas of operation which are relevant to the Company.

The Board has reviewed the Company's system of internal controls for the year ended 31 July 2019. During the course of its review the Board has not identified or been advised of any failings or weaknesses relating to the Company's portfolio that have been determined as significant.

## Internal audit function

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

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

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

## Accountability and relationship with Janus Henderson

The Statement of Directors' Responsibilities in respect of the Financial Statements is set out on page 23, the Independent Auditors' Report on pages 34 to 38 and the Viability Statement on page 17.

The Board has delegated contractually to external third parties, including the Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets which is delegated through the appointment of the Depositary as explained on page 20), the day-to-day accounting and cash management, 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 the Manager and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman is invited to attend meetings of all the chairmen of the investment trust companies managed by Janus Henderson which provides a forum to discuss industry matters which would then be reported to the Board.

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

## Corporate Governance Statement (continued)

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the minutes. The Board and the Manager operate in a supportive, co-operative and open environment.

The Corporate Secretary, Henderson Secretarial Services Limited, is a subsidiary of Janus 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 Henderson Secretarial Services Limited and Janus Henderson, particularly when dealing with any conflicts or issues between the Company and Janus Henderson. Any correspondence from shareholders addressed to the Chairman or the Company received at Janus Henderson's offices is forwarded to the Chairman of the Company in line with the audited procedures in place. Any correspondence is submitted to the next Board meeting.

Janus Henderson and BNP Paribas Securities Services, which acts for Janus 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 the Manager

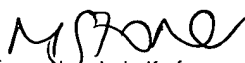
The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. The principal contents of the agreement with the Manager are contained on page 15.

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 the Manager, including company secretarial and accounting, is undertaken.

The Board and Manager agreed that, with effect from 1 January 2019, the performance fee arrangements be removed.

Following an annual review, it is the Directors' opinion that the continuing appointment of the Manager on the existing terms is in the interests of the Company and its shareholders as a whole.

By order of the Board



For and on behalf of  
Henderson Secretarial Services Limited  
Corporate Secretary  
4 October 2019

# Report of the Audit Committee

## Composition

The Audit Committee comprises all of the Directors and is chaired by Katya Thomson, 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 Audit Committee's members has recent and relevant financial experience. The biographies of the Audit Committee members are shown on page 14. All members of the Audit Committee are independent.

The Board believes that it is appropriate for the Chairman of the Board to be a member of the Audit Committee as the Board comprises four Directors and to lose the Chairman's contribution to the Audit Committee's deliberations would not be in the best interests of shareholders given her experience and expertise. The Audit Committee will monitor the situation and take into account shareholder views on the matter.

## Meetings

The Audit Committee met formally three times during the year under review: in advance of the publication of both the annual and the half year results and on one other occasion with an agenda that was focused on its broader responsibilities. The Company's Auditors are invited to attend meetings as necessary. Representatives of the Manager and BNP Paribas Securities Services may also be invited. The Audit Committee also appointed a sub-committee of two members to consider presentations from prospective auditors during the audit tender process (explained more fully on page 32). The Audit Committee considered the sub-committee's views when making its final recommendation to the Board.

## 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 Audit Committee formally reports to the Board. The responsibilities are set out in formal terms of reference which are reviewed at least annually.

In the year under review the main duties undertaken were:

- consideration of the appropriateness of the Company's accounting policies and 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 Janus Henderson;
- 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, strategy and continued operation (including advising the Board on whether the Company is able to meet its liabilities as they fall due) 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, the Manager and the Corporate Secretary;
- 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 Janus Henderson, and the Company's other principal third-party service providers;
- consideration of Janus Henderson's policies in relation to information security and business continuity, meeting with representatives of Janus Henderson's internal audit and risk departments periodically;
- consideration of the key risks, risk management systems in place and the Company's risk map;
- consideration of the Company's Anti-Bribery Policy and the policies and procedures in place to prevent tax evasion;
- consideration of the nature, scope and cost of the external audit and the findings therefrom;
- annual consideration of whether there is a need for an internal audit function in order to make a recommendation to the Board;
- consideration of the appointment of the Auditors, the Auditors' independence, objectivity, effectiveness, provision of any non-audit services and tenure of appointment;
- consideration of the whistle-blowing policy that Janus 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 (until 1 January 2019 at which time the performance fee arrangements were removed) the performance fee calculations;
- consideration of the annual confirmation from the Company's Depository in respect of the safe-keeping of the Company's assets; and
- the audit tender process and recommendation to the Board for consideration (see page 32 for more detail).

## Report of the Audit Committee (continued)

### Annual Report for the year ended 31 July 2019

In relation to the Annual Report for the year ended 31 July 2019 the following significant issues were considered by the Audit Committee:

Significant issue	How the issue was addressed
<b>Valuation and ownership of the Company's investments</b>	Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. 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.
<b>Recognition of income</b>	Income received is accounted for in line with the Company's accounting policy (as set out on page 43) and is reviewed by the Committee.
<b>Compliance with Section 1158 of the Corporation Tax Act 2010</b>	The Committee regularly considers the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times, receiving supporting documentation from Janus Henderson and BNP Paribas Securities Services.
<b>Maintaining internal controls</b>	The Committee receives regular reports on internal controls from Janus Henderson and its delegates and has access to the relevant personnel of Janus Henderson who have a responsibility for risk management and internal audit.
<b>Performance fee</b>	The calculation of the performance fee payable to Janus Henderson is reviewed by the Audit Committee before being approved by the Board. No performance fee was payable in respect of the financial year ended 31 July 2019. With effect from 1 January 2019, the performance fee arrangements were removed.

The Committee is satisfied that the Annual Report for the year ended 31 July 2019, 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.

### Auditors' appointment and tenure

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

PwC (or their predecessor) have been the Company's Auditors for 27 years. The auditors are required to rotate partners every five years and this is the fourth year that the current partner has been in place. In light of the tenure of the current auditors and the regulations on audit firm rotation, the Company put the audit out to tender during the course of the year. PwC, as the current incumbent, was not invited to participate in the process.

Two of the five firms invited to participate in the audit tender presented to two members of the Audit Committee. The Committee found that both proposals were of high quality and the firms presented very well. Proposed fees had also been compared. The most recent Audit Quality Inspection Reports published by the FRC were also considered as part of the process.

Following conclusion of the audit tender process, the Audit Committee recommended to the Board the appointment of BDO LLP as the auditors. The key determining factor in making the recommendation to appoint BDO was that BDO had provided Company-specific answers to questions and it was considered that BDO was more likely to provide a Company-specific service.

The Board agreed to the recommendation and a resolution to appoint BDO as statutory auditor will be put to shareholders at the 2019 AGM. The new auditors will be in place to carry out the statutory audit for the financial year ending 31 July 2020.

### Auditors' independence

The Committee monitors the auditors' independence through the approval of a policy regulating the non-audit services that may be provided by the auditors to the Company, assessing the appropriateness of fees paid to the auditors for their work and by reviewing the information and assurances provided by the auditors on their compliance with the relevant ethical standards.

PwC confirmed that all of its partners and staff involved with the audit were independent of any links to the Company, and that these individuals had complied with their ethics and independence policies and procedures which are fully consistent with the FRC's Ethical Standards.

## Report of the Audit Committee (continued)

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### Policy on non-audit services

The Audit Committee has approved, and keeps under regular review, the policy on the provision of non-audit services by the auditors. The Audit Committee has determined that the statutory auditors will not be engaged to provide any non-audit services without the approval of the Audit Committee. The statutory auditors are not pre-approved to provide any non-audit services. The Audit Committee may approve the provision of non-audit services if they consider such services to be:

- relevant to the statutory audit work;
- more efficiently provided by the statutory audit firm than by a third party; and
- at low risk of impairing the independence, objectivity and effectiveness of the audit.

The Audit Committee will refer to the Board any engagement with a cost or potential cost greater than £10,000. All engagements for non-audit services will be determined on a case-by-case basis. In addition, the provision of any non-audit services by the auditors is not permitted to exceed 70% of the average annual statutory audit fee for the three consecutive financial periods preceding the financial period to which the cap applies.

There were no non-audit services provided by PwC during the year (or in the previous three years).

### Effectiveness of the external audit

The Committee considers the effectiveness of the audit process after each audit. The FRC's Audit Quality Inspection Report is supplied to the Audit Committee for information to assist with the assessment of the Auditors' effectiveness.

The Audit Committee remained satisfied with the performance of PwC for the year-ended 31 July 2019.

### Fees

Fees paid or payable to the Auditors are detailed in Note 6 on page 45.

For and on behalf of the Board



Katya Thomson  
Chairman of the Audit Committee  
4 October 2019

# Independent Auditors' Report to the members of Henderson EuroTrust plc

## Report on the audit of the financial statements

### Opinion

In our opinion, Henderson EuroTrust plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 31 July 2019; the Income Statement, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We have provided no non-audit services to the Company in the period from 1 August 2018 to 31 July 2019.

### Our audit approach

#### Overview

- Overall materiality: £2.7 million (2018: £2.6 million), based on 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.
- We obtained an understanding of the control environment in place at the Administrator, and adopted a fully substantive testing approach using reports obtained from the Administrator.
- Valuation and existence of investments.
- Dividend income.

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

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

## Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Company and its industry, we identified that the principal risk of non-compliance with laws and regulations related to breaches of section 1158 of the Corporation Tax Act 2010 (see page 17 of the Annual Report), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and Chapter 15 of the UK Listing Rules applicable to Closed-Ended Investment Funds. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to increase revenue (investment income and capital gains) or to increase net asset value. Audit procedures performed by the engagement team included:

- Enquiries of management and the Administrator, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of the controls implemented by the Company and the Administrator designed to prevent and detect irregularities;
- Assessment of the Company's compliance with the requirements of section 1158 of the Corporation Tax Act 2010 in the current year;
- Identifying and testing journal entries posted by the Administrator during the preparation of the financial statements;
- Review of financial statement disclosures to underlying supporting documentation.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation and existence of investments</b>                      Refer to page 32 (Report of the Audit Committee), page 42 (Accounting Policies) and page 47 (Notes).                      The investment portfolio at the year-end principally comprised listed equity investments valued at £275.7 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.</p>	<p>We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources. No material misstatements were identified.                      We tested existence by agreeing the listed equity investments to an independent custodian confirmation from HSBC Bank plc. No material differences were identified.</p>

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

Key audit matter	How our audit addressed the key audit matter
<p><b>Dividend income</b> Refer to page 32 (Report of the Audit Committee), page 43 (Accounting Policies) and page 45 (Notes to the Financial Statements).</p> <p>We focused on the accuracy, occurrence and completeness of dividend income recognition as incomplete or inaccurate income could have a material impact on the Company's net asset value and dividend cover.</p> <p>We also focused on the accounting policy for 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") as incorrect application could indicate a misstatement in income recognition.</p>	<p>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.</p> <p>We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy.</p> <p>We tested the accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data. No material misstatements were identified.</p> <p>To test for completeness, we tested, for all investment holdings in the portfolio, that all dividends declared in the market by investment holdings had been recorded.</p> <p>We tested occurrence by tracing a sample of dividends received to bank statements. No material misstatements were identified.</p> <p>We tested the allocation and presentation of dividend income between the revenue and capital returns columns of the Statement of Comprehensive Income in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions. Our procedures did not identify any material misstatements.</p>

## 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 structure of the Company, the accounting processes and controls, and the industry in which it operates.

The Company's accounting is delegated to the Administrator who maintains the Company's accounting records and who has implemented controls over those accounting records.

We obtained our audit evidence from substantive tests. However, as part of our risk assessment, we understood and assessed the internal controls 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 analysing the relevant control reports issued by the independent service 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 in aggregate on the financial statements as a whole.

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

<b>Overall materiality</b>	£2.7 million (2018: £2.6 million).
<b>How we determined it</b>	1% of net assets.
<b>Rationale for benchmark applied</b>	The benchmark used is a generally accepted auditing practice for investment trust audits and is also the primary measure used by the shareholders in assessing the performance of the Company.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £137,000 (2018: £132,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	<p>We have nothing material to add or to draw attention to.</p> <p>However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's business and the wider economy.</p>

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

Reporting obligation	Outcome
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

### Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 July 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors. (CA06)

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

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 16 of the Annual Report 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.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 17 of the Annual Report 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 to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and 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 UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit. (Listing Rules)

### Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 23, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 31 to 32 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

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

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## Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

## Responsibilities for the financial statements and the Audit

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### Responsibilities of the Directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

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.

## Other required reporting

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### Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; 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.

### Appointment

We were appointed by the members in 1992 to audit the financial statements for the year ended 31 July 1993 and subsequent financial periods. The period of total uninterrupted engagement is 27 years, covering the years ended 31 July 1993 to 31 July 2019.

*Richard McGuire*

Richard McGuire (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
4 October 2019

# Income Statement

Note		Year ended 31 July 2019			Year ended 31 July 2018		
		Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
2	Gains on investments held at fair value through profit or loss	-	11,687	11,687	-	11,264	11,264
3	Investment income	7,830	-	7,830	8,758	-	8,758
4	Other income	10	-	10	3	-	3
	<b>Gross revenue and capital gains</b>	<b>7,840</b>	<b>11,687</b>	<b>19,527</b>	<b>8,761</b>	<b>11,264</b>	<b>20,025</b>
5	Management and performance fees	(329)	(1,318)	(1,647)	(331)	(1,325)	(1,656)
6	Other administrative expenses	(468)	-	(468)	(491)	-	(491)
	<b>Net return before finance costs and taxation</b>	<b>7,043</b>	<b>10,369</b>	<b>17,412</b>	<b>7,939</b>	<b>9,939</b>	<b>17,878</b>
7	Finance costs	(7)	(28)	(35)	(10)	(42)	(52)
	<b>Net return before taxation</b>	<b>7,036</b>	<b>10,341</b>	<b>17,377</b>	<b>7,929</b>	<b>9,897</b>	<b>17,826</b>
8	Taxation on net return	(904)	-	(904)	(912)	-	(912)
	<b>Net return after taxation</b>	<b>6,132</b>	<b>10,341</b>	<b>16,473</b>	<b>7,017</b>	<b>9,897</b>	<b>16,914</b>
9	Return per ordinary share – basic and diluted	29.0p	48.8p	77.8p	33.1p	46.7p	79.8p

The total return 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 AIC.

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

## Statement of Changes in Equity

Note	Year ended 31 July 2019	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 2018	1,060	41,032	263	213,061	8,700	264,116
10	Net return after taxation	-	-	-	10,341	6,132	16,473
10	Final dividend paid in respect of the year ended 31 July 2018 (paid 21 November 2018)	-	-	-	-	(4,767)	(4,767)
10	Interim dividend paid in respect of the year ended 31 July 2019 (paid 26 April 2019)	-	-	-	-	(1,695)	(1,695)
10	Refund of unclaimed dividends over 12 years old	-	-	-	-	2	2
	<b>At 31 July 2019</b>	<b>1,060</b>	<b>41,032</b>	<b>263</b>	<b>223,402</b>	<b>8,372</b>	<b>274,129</b>

Note	Year ended 31 July 2018	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 2017	1,060	41,032	263	203,164	7,191	252,710
10	Net return after taxation	-	-	-	9,897	7,017	16,914
10	Final dividend paid in respect of the year ended 31 July 2017 (paid 22 November 2017)	-	-	-	-	(3,813)	(3,813)
10	Interim dividend paid in respect of the year ended 31 July 2018 (paid 27 April 2018)	-	-	-	-	(1,695)	(1,695)
	<b>At 31 July 2018</b>	<b>1,060</b>	<b>41,032</b>	<b>263</b>	<b>213,061</b>	<b>8,700</b>	<b>264,116</b>

# Statement of Financial Position

Note		As at 31 July 2019 £'000	As at 31 July 2018 £'000
	<b>Fixed assets</b>		
	<b>Fixed asset investments held at fair value through profit or loss</b>		
11	Listed at market value – overseas	275,693	255,372
	<b>Current assets</b>		
12	Debtors	1,639	1,049
	Cash and cash equivalents	1,775	8,372
		<b>3,414</b>	<b>9,421</b>
13	<b>Creditors: amounts falling due within one year</b>	(4,978)	(677)
	<b>Net current (liabilities)/assets</b>	<b>(1,564)</b>	<b>8,744</b>
	Total assets less current liabilities	274,129	264,116
	<b>Net assets</b>	<b>274,129</b>	<b>264,116</b>
	<b>Capital and reserves</b>		
16	Called up share capital	1,060	1,060
17	Share premium account	41,032	41,032
	Capital redemption reserve	263	263
18	Capital reserves	223,402	213,061
	Revenue reserve	8,372	8,700
	<b>Total shareholders' funds</b>	<b>274,129</b>	<b>264,116</b>
14	Net asset value per ordinary share (basic and diluted)	1,293.9p	1,246.7p

The Financial Statements on pages 39 to 55 were approved and authorised for issue by the Board of Directors on 4 October 2019 and were signed on their behalf by:

Nicola Ralston  
Chairman



# Notes to the Financial Statements

## For the year ended 31 July 2019

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### 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 60.

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" and with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (the "SORP") issued in November 2014 and updated in February 2018.

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. 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 2018.

As an investment company 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 company 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 FRS 102, 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.

The preparation of the Company's Financial Statements on occasion requires the Directors to make judgements, estimates and assumptions that affect the reported amounts in the primary Financial Statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the current and future periods, depending on circumstance.

The Directors do not believe that any accounting judgements or estimates have been applied to this set of Financial Statements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

#### 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 12 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 Janus Henderson's UK & EMEA 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)

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## 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) Cash and cash equivalents

Cash comprises cash in hand and on demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

#### j) 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.

#### k) Issue and repurchase of ordinary shares

The proceeds from the 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.

#### l) Capital reserves

Called up share capital represents the nominal value of ordinary shares issued.

The share premium account represents the premium above nominal value received by the Company on issue 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.

#### m) Distributable reserves

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

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

	2019 £'000	2018 £'000
Gains on sale of investments based on historical cost	9,774	32,850
Less: Revaluation gains recognised in previous years	(19,857)	(38,236)
<b>Losses on investments sold in the year based on carrying value at previous statement of financial position date</b>	<b>(10,083)</b>	<b>(5,386)</b>
Revaluation of investments held at 31 July	22,210	16,545
Exchange (losses)/gains	(440)	105
	<b>11,687</b>	<b>11,264</b>

## Notes to the Financial Statements (continued)

### 3 Investment income

	2019 £'000	2018 £'000
Overseas dividend income	7,830	8,758
	<b>7,830</b>	<b>8,758</b>

### 4 Other income

	2019 £'000	2018 £'000
Interest received	10	3
	<b>10</b>	<b>3</b>

### 5 Management and performance fees

	2019			2018		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Management fee	329	1,318	1,647	331	1,325	1,656
Performance fee	-	-	-	-	-	-
	<b>329</b>	<b>1,318</b>	<b>1,647</b>	<b>331</b>	<b>1,325</b>	<b>1,656</b>

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

### 6 Other administrative expenses

	2019 £'000	2018 £'000
Directors' fees and taxable benefits (see the Directors' Remuneration Report on page 25)	118	109
Auditors' remuneration – for statutory audit services	34	33
Bank charges	41	42
Loan – including arrangement fees, non utilisation fees and legal fees	51	61
Legal and professional fees	31	12
Marketing fees payable to the Manager	55	92
Printing and postage	13	15
Stock exchange listing	22	18
AIC fees	19	18
Registrar's fees	15	15
Depository fees	40	47
Other expenses	29	29
	<b>468</b>	<b>491</b>

All of the expenses above include VAT, where applicable.

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

### 7 Finance costs

	2019			2018		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Loan interest	7	28	35	10	42	52

## Notes to the Financial Statements (continued)

### 8 Taxation on net return

#### a) Analysis of the charge for the year

	2019			2018		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Foreign withholding taxes	1,456	–	1,456	1,403	–	1,403
Overseas tax reclaimable	(552)	–	(552)	(491)	–	(491)
<b>Total tax charge for the year (see Note 8 b)</b>	<b>904</b>	<b>–</b>	<b>904</b>	<b>912</b>	<b>–</b>	<b>912</b>

The Company's profit for the accounting year is taxed at an effective rate of 19% (2018: 19%).

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

	2019			2018		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
<b>Net return before taxation</b>	<b>7,036</b>	<b>10,341</b>	<b>17,377</b>	<b>7,929</b>	<b>9,897</b>	<b>17,826</b>
Corporation tax at 19% (2018: 19%)	1,337	1,965	3,302	1,507	1,880	3,387
Effects of:						
Non-taxable gains less losses on investments held at fair value through profit or loss	–	(2,221)	(2,221)	–	(2,140)	(2,140)
Non-taxable dividends	(1,488)	–	(1,488)	(1,664)	–	(1,664)
Overseas tax	904	–	904	912	–	912
Excess management expenses	151	256	407	157	260	417
<b>Total tax charge</b>	<b>904</b>	<b>–</b>	<b>904</b>	<b>912</b>	<b>–</b>	<b>912</b>

#### 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 £3,373,000 (2018: £3,010,000) based on a prospective corporation tax rate of 17% (2018: 17%). 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.

### 9 Return per ordinary share – basic and diluted

The total return per ordinary share is based on the net return attributable to the ordinary shares of £16,473,000 (2018: £16,914,000) and on 21,185,541 ordinary shares (2018: 21,185,541), being the weighted average number of shares in issue during the year. The total return can be further analysed as follows:

	2019 £'000	2018 £'000
Revenue return	6,132	7,017
Capital return	10,341	9,897
<b>Total return</b>	<b>16,473</b>	<b>16,914</b>
<b>Weighted average number of ordinary shares</b>	<b>21,185,541</b>	<b>21,185,541</b>

## Notes to the Financial Statements (continued)

### 9 Return per ordinary share – basic and diluted (continued)

	2019 Pence	2018 Pence
Revenue return per ordinary share	29.0	33.1
Capital return per ordinary share	48.8	46.7
<b>Total return per ordinary share</b>	<b>77.8</b>	<b>79.8</b>

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.

### 10 Dividends on ordinary shares

	Register date	Payment date	2019 £'000	2018 £'000
Final dividend (18.0p) for the year ended 31 July 2017	20 October 2017	22 November 2017	–	3,813
Interim dividend (8.0p) for the year ended 31 July 2018	13 April 2018	27 April 2018	–	1,695
Final dividend (22.5p) for the year ended 31 July 2018	19 October 2018	21 November 2018	4,767	–
Interim dividend (8.0p) for the year ended 31 July 2019	12 April 2019	26 April 2019	1,695	–
Refund of unclaimed dividends over 12 years old			(2)	–
			<b>6,460</b>	<b>5,508</b>

The proposed final dividend of 23.0p per share for the year ended 31 July 2019 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these Financial Statements. The final dividend will be paid on 20 November 2019 to shareholders on the register of members at the close of business on 18 October 2019. The shares will be quoted ex-dividend on 17 October 2019.

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

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:

	2019 £'000	2018 £'000
Revenue available for distribution by way of dividend for the year	6,132	7,017
Interim dividend of 8.0p (2018: 8.0p) paid 26 April 2019 (27 April 2018)	(1,695)	(1,695)
Proposed final dividend for the year ended 31 July 2019 of 23.0p (2018: 22.5p) (based on 21,185,541 ordinary shares in issue at 4 October 2019 (2018: 21,185,541))	(4,873)	(4,767)
<b>Undistributed revenue for Section 1158 purposes<sup>1</sup></b>	<b>(436)</b>	<b>555</b>

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

	2019 £'000	2018 £'000
Valuation at start of year	255,372	252,926
Investment holding gains at start of year	(49,528)	(71,219)
<b>Cost of investments at start of year</b>	<b>205,844</b>	<b>181,707</b>
Purchases at cost	112,860	170,734
Sales at cost	(94,892)	(146,597)
<b>Cost of investments at end of year</b>	<b>223,812</b>	<b>205,844</b>
Investment holding gains at end of year	51,881	49,528
<b>Valuation at end of year</b>	<b>275,693</b>	<b>255,372</b>

Total transaction costs amounted to £165,000 (2018: £267,000) of which purchase transaction costs for the year ended 31 July 2019 were £126,000 (2018: £188,000) and comprise mainly of brokers' commission. Sale transaction costs for the year ended 31 July 2019 were £39,000 (2018: £79,000).

<sup>1</sup> There is no undistributed revenue in the current year. £436,000 will be paid from revenue reserves. In the prior year undistributed revenue comprised 6.3% of the total income of £8,761,000 (see Notes 3 and 4)

## Notes to the Financial Statements (continued)

### 12 Debtors

	2019 £'000	2018 £'000
Withholding tax recoverable	1,631	1,043
Prepayments and accrued income	8	6
	<b>1,639</b>	<b>1,049</b>

### 13 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank loans (see Notes 15.1.3 and 15.2)	3,641	-
Purchases for future settlement	604	-
Management fee	585	555
Loan interest payable	3	-
Other accruals	145	122
	<b>4,978</b>	<b>677</b>

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

The net asset value per ordinary share of 1,293.9p (2018: 1,246.7p) is based on the net assets attributable to ordinary shares of £274,129,000 (2018: £264,116,000) and on 21,185,541 (2018: 21,185,541) ordinary shares in issue at the year end. There were 20,000 shares held in Treasury at the year end (2018: 20,000).

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

	2019 £'000	2018 £'000
Net assets attributable to the ordinary shares at 1 August	264,116	252,710
Net return after taxation	16,473	16,914
Dividends paid on ordinary shares in the year	(6,462)	(5,508)
Refund of unclaimed dividends over 12 years old	2	-
<b>Total net assets attributable to the ordinary shares at 31 July</b>	<b>274,129</b>	<b>264,116</b>

### 15 Risk management policies and procedures

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

These financial risks, market risk (comprising market price risk, currency risk and interest rate risk), liquidity risk and credit risk, and the Directors' approach to the management of these risks, are set out below. The Board of Directors and Janus 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)

### 15 Risk management policies and procedures (continued)

- the IT tools to which the Janus Henderson Risk, Compliance and Operations teams have access for independent monitoring and risk measurement purposes include:
  - Charles River Compliance module for investment restrictions monitoring;
  - Nasdaq Bwise operational risk database;
  - Riskmetrics for VaR statistics, stress-testing and back-testing;
  - UBS Delta, Style Research, Cognity and Barra 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 in the Derivatives Risk and Compliance database.

The Board determines the objectives, policies and processes for managing the risks, and these are set out below under the relevant risk categories. 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.

#### 15.1 Market risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. Market risk comprises market price risk (see Note 15.1.1), currency risk (see Note 15.1.2) and interest rate risk (see Note 15.1.3). Janus Henderson assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

##### 15.1.1 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 use, 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 Janus 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 2019 on its investments held at fair value through profit or loss was £275,693,000 (2018: £255,372,000).

##### Concentration of exposure to market price risks

An analysis of the Company's investment portfolio is shown on page 11. 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 net assets, to an increase or decrease of 20% (2018: 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.

	2019		2018	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
<b>Income Statement – net return after taxation</b>				
Revenue (loss)/return	(72)	72	(66)	66
Capital return/(loss)	54,853	(54,853)	50,808	(50,808)
<b>Total return after tax for the year</b>	<b>54,781</b>	<b>(54,781)</b>	<b>50,742</b>	<b>(50,742)</b>
<b>Impact on net assets</b>	<b>54,781</b>	<b>(54,781)</b>	<b>50,742</b>	<b>(50,742)</b>

## Notes to the Financial Statements (continued)

### 15 Risk management policies and procedures (continued)

#### 15.1 Market risk (continued)

##### 15.1.2 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

Janus Henderson monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board at each Board meeting. Janus Henderson measures the risk to the 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 have the effect of reducing 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.

	Euro £'000	Swiss Franc £'000	Swedish Krona £'000	Danish Krone £'000	Norwegian Krone £'000	Total £'000
<b>2019</b>						
Creditors (amounts due to brokers, bank loans, interest payable)	(4,248)	–	–	–	–	(4,248)
<b>Total foreign currency exposure on net monetary items</b>	<b>(4,248)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(4,248)</b>
Investments at fair value through profit or loss	190,666	49,573	10,844	17,014	7,596	275,693
<b>Total net foreign currency exposures</b>	<b>186,418</b>	<b>49,573</b>	<b>10,844</b>	<b>17,014</b>	<b>7,596</b>	<b>271,445</b>

	Euro £'000	Swiss Franc £'000	Swedish Krona £'000	Danish Krone £'000	Norwegian Krone £'000	Total £'000
<b>2018</b>						
Creditors (amounts due to brokers, bank loans, interest payable)	–	–	–	–	–	–
<b>Total foreign currency exposure on net monetary items</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Investments at fair value through profit or loss	173,493	46,142	11,548	16,228	7,961	255,372
<b>Total net foreign currency exposures</b>	<b>173,493</b>	<b>46,142</b>	<b>11,548</b>	<b>16,228</b>	<b>7,961</b>	<b>255,372</b>

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)

### 15 Risk management policies and procedures (continued)

#### 15.1 Market risk (continued)

##### 15.1.2 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 against each currency set out below.

It assumes a +/-10% change in exchange rates (2018: same).

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:

	2019					2018				
	Danish Krone £'000	Euro £'000	Norwegian Krone £'000	Swedish Krona £'000	Swiss Franc £'000	Danish Krone £'000	Euro £'000	Norwegian Krone £'000	Swedish Krona £'000	Swiss Franc £'000
<b>Income Statement – net return after taxation</b>										
Revenue return	25	469	29	12	133	27	568	23	61	101
Capital return	1,880	20,606	840	1,199	5,479	1,794	19,178	881	1,276	5,101
<b>Change in total return after taxation for the year and shareholders' funds</b>	<b>1,905</b>	<b>21,075</b>	<b>869</b>	<b>1,211</b>	<b>5,612</b>	<b>1,821</b>	<b>19,746</b>	<b>904</b>	<b>1,337</b>	<b>5,202</b>

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

	2019					2018				
	Danish Krone £'000	Euro £'000	Norwegian Krone £'000	Swedish Krona £'000	Swiss Franc £'000	Danish Krone £'000	Euro £'000	Norwegian Krone £'000	Swedish Krona £'000	Swiss Franc £'000
<b>Income Statement – net return after taxation</b>										
Revenue return	(20)	(383)	(24)	(11)	(109)	(22)	(463)	(19)	(51)	(83)
Capital return	(1,539)	(16,859)	(687)	(981)	(4,484)	(1,467)	(15,690)	(720)	(1,045)	(4,173)
<b>Change in total return after taxation for the year and shareholders' funds</b>	<b>(1,559)</b>	<b>(17,242)</b>	<b>(711)</b>	<b>(992)</b>	<b>(4,593)</b>	<b>(1,489)</b>	<b>(16,153)</b>	<b>(739)</b>	<b>(1,096)</b>	<b>(4,256)</b>

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

## Notes to the Financial Statements (continued)

### 15 Risk management policies and procedures (continued)

#### 15.1 Market risk (continued)

#### 15.1.3 Interest rate risk

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

#### Management of the risk

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

#### Interest rate exposure

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

	2019 Total (within one year) £'000	2018 Total (within one year) £'000
Exposure to floating interest rates:		
Cash at bank	1,775	8,372
Creditors:		
Borrowings under the multi-currency loan facility	(3,641)	-
	<b>(1,866)</b>	<b>8,372</b>

#### Interest rate sensitivity

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

Loan sensitivity – Borrowings vary throughout the year as a result of the Board's borrowing policy. Borrowings at the year end were £3,641,000 (2018: £nil) (Note 13) 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 after taxation by approximately £36,000 (2018: £nil).

Cash – Cash balances vary throughout the year. Cash balances at the year end were £1,775,000 (2018: £8,372,000) and, if that level of cash was maintained for a full year, a 100 basis points change in LIBOR (up or down) would increase or decrease total net return after taxation by approximately £18,000 (2018: £84,000).

#### 15.2 Liquidity risk

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

#### Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Company has a multi-currency loan facility of £25 million (2018: £25 million) of which £3,641,000 (2018: £nil) 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 the Manager 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:

	2019 Due within one month £'000	2018 Due within one month £'000
Bank loans (including accrued interest)	3,644	-
Other creditors and accruals	1,334	677
	<b>4,978</b>	<b>677</b>

## Notes to the Financial Statements (continued)

### 15 Risk management policies and procedures (continued)

#### 15.3 Credit risk

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

##### Management of the risk

Credit risk is managed as follows:

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

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

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

#### 15.4 Fair values of financial assets and financial liabilities

Financial assets and financial liabilities are either carried in the 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).

#### 15.5 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:

Financial assets at fair value through profit or loss at 31 July 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	275,693	-	-	275,693
<b>Total</b>	<b>275,693</b>	<b>-</b>	<b>-</b>	<b>275,693</b>

Financial assets at fair value through profit or loss at 31 July 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	255,364	-	-	255,364
Euro Stoxx options	-	8	-	8
<b>Total</b>	<b>255,364</b>	<b>8</b>	<b>-</b>	<b>255,372</b>

Level 1 – the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3 – inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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

The holding in OW Bunker is included in Level 3 and is currently valued at £nil (2018: £nil).

The total carrying value of receivables, as stated in Note 12, is a reasonable approximation of their fair value as at the year end date. The total carrying value of financial liabilities, as disclosed in Note 13, is a reasonable approximation of their fair value at the year end date.

## Notes to the Financial Statements (continued)

### 15 Risk management policies and procedures (continued)

#### 15.6 Capital management policies and procedures

The Company's capital management objectives are:

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

The Company's capital as at 31 July 2019 comprised its equity share capital, reserves and bank loans that are shown in the Statement of Financial Position at a total of £277,770,000 (2018: £264,116,000).

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 buyback 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 loan facility total borrowings not to exceed 30% of the adjusted net asset value and the adjusted net asset value not to fall below £90,000,000 (2018: £90,000,000);
- 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.

### 16 Called up share capital

	Number of shares entitled to dividend	Total number of shares	Nominal value of shares £'000
Allotted and issued ordinary shares of 5p each at the end of the year ended 31 July 2018	21,185,541	21,205,541	1,060
<b>At 31 July 2019</b>	<b>21,185,541</b>	<b>21,205,541</b>	<b>1,060</b>

During the year the Company issued no shares (2018: none).

During the year the Company repurchased no shares (2018: none).

Shares held in treasury (2019: 20,000; 2018: 20,000) are not entitled to receive a dividend.

There is a single class of ordinary share. Accounting policy (m) on page 44 details the reserves that can be distributed as a dividend.

Since 31 July 2019, no shares have been repurchased or issued.

### 17 Share premium account

	2019 £'000	2018 £'000
At start of year	41,032	41,032
<b>At end of year</b>	<b>41,032</b>	<b>41,032</b>

## Notes to the Financial Statements (continued)

### 18 Capital reserves

	Capital reserve arising on investments sold £'000	Capital reserve arising on investments held £'000	Capital reserves total £'000
At 1 August 2018	163,533	49,528	213,061
Transfer on disposal of assets	19,857	(19,857)	-
Net movement on investments held at fair value through profit or loss	(10,083)	22,210	12,127
Net movement on foreign exchange	(440)	-	(440)
Expenses and finance costs charged to capital	(1,346)	-	(1,346)
<b>At 31 July 2019</b>	<b>171,521</b>	<b>51,881</b>	<b>223,402</b>

	Capital reserve arising on investments sold £'000	Capital reserve arising on investments held £'000	Capital reserves total £'000
At 1 August 2017	131,945	71,219	203,164
Transfer on disposal of assets	38,236	(38,236)	-
Net movement on investments held at fair value through profit or loss	(5,386)	16,545	11,159
Net movement on foreign exchange	105	-	105
Expenses and finance costs charged to capital	(1,367)	-	(1,367)
<b>At 31 July 2018</b>	<b>163,533</b>	<b>49,528</b>	<b>213,061</b>

### 19 Transactions with the Manager and Related Parties

Under the terms of an agreement effective from 22 July 2014, the Company appointed a wholly owned subsidiary company of Janus Henderson Group plc ("Janus Henderson") to provide investment management, accounting, administrative and secretarial services. Janus 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 15. The total of the management fees paid or payable under this agreement to Janus Henderson in respect of the year ended 31 July 2019 was £1,647,000 (2018: £1,656,000) of which £585,000 (per Note 13) was outstanding at 31 July 2019 (2018: £555,000).

With effect from 1 January 2019, the performance fee arrangements were removed. No performance fee had been earned at the date on which the arrangements were removed (2018: £nil).

In addition to the above services, Janus Henderson facilitates marketing activities with third parties which are recharged to the Company. Janus Henderson also provides sales and marketing services which until 31 December 2017 were charged to the Company at an annual cost of £20,000 excluding VAT. Since 1 January 2018 there has been no separate charge for these services. Total amounts paid to Janus Henderson in respect of sales and marketing, including VAT paid or payable for these services for the year ended 31 July 2019 amounted to £55,000 (2018: £92,000) of which £50,000 was outstanding at 31 July 2019 (2018: £53,000).

Details of fees paid to Directors are included in the Directors' Remuneration Report on page 25 and in Note 6 on page 45.

# Alternative Performance Measures (unaudited)

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

## Discount or premium

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

	NAV per share Pence	Share price Pence	(Discount)/ premium to NAV %
At 31 July 2019	1,293.9	1,165.0	(10.0)
At 31 July 2018	1,246.7	1,145.0	(8.2)

## Gearing/(net cash)

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 the Company has used to invest in the market. If the amount calculated is negative, this is a "net cash" position and no gearing. The Company's gearing is calculated as follows:

		2019	2018
Investments held at fair value through profit or loss (page 41) (£'000)	(A)	275,693	255,372
Net assets (page 41) (£'000)	(B)	274,129	264,116
Gearing/(Net Cash) $(C = A / B - 1) \times 100(\%)$	(C)	0.6	(3.3)

## Net Asset Value (NAV) per ordinary share

The value of the Company's assets (i.e. investments (see Note 11) and cash held (see Statement of Financial Position)) less any liabilities (i.e. bank borrowings (see Note 13)) for which the Company is responsible divided by the number of shares in issue (see Note 16). The aggregate NAV is also referred to as total shareholders' funds in the Statement of Financial Position. The NAV per share is published daily and the year end NAV can be found on page 3 and further information is available on page 48 in Note 14 within the Notes to the Financial Statements.

## Ongoing charges

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

	2019 £'000	2018 £'000
Management fee (Note 5)	1,647	1,656
Other administrative expenses (Note 6)	468	491
Less: non-recurring expenses	(77)	(72)
<b>Ongoing charges</b>	<b>2,038</b>	<b>2,075</b>
<b>Average net assets<sup>1</sup></b>	<b>251,115</b>	<b>256,758</b>
<b>Ongoing charges ratio (%)</b>	<b>0.81</b>	<b>0.81</b>

<sup>1</sup> Calculated using the average daily net asset value

The ongoing charges calculated above are different from ongoing costs provided in the Company's Key Information Document ("KID") which are calculated in line with the PRIIPs regulations. The ongoing costs in the KID include finance costs.

## Alternative Performance Measures (unaudited) (continued)

### Revenue earnings per share

The revenue earnings per share is the revenue return for the year (see Income Statement) divided by the weighted average number of ordinary shares in issue during the year (see Note 9 on page 46).

### Total return

The return on the share price or NAV taking into account both the rise and fall of NAV/share price and dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV total return). Dividends paid and payable are set out in Note 10 on page 47.

	NAV	Share price
NAV/Share Price per share at 31 July 2018 (pence)	1,246.7	1,145.0
NAV/Share Price per share at 31 July 2019 (pence)	1,293.9	1,165.0
Change in the year (%)	3.8	1.8
Impact of dividends reinvested (%)	2.8	2.9
<b>Total return for the year (%)</b>	<b>6.6</b>	<b>4.9</b>

## General Shareholder Information

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

In accordance with the AIFMD, information in relation to the Company's leverage and remuneration of Henderson Investment Funds Limited, as the Company's Alternative Investment Fund Manager ("AIFM") is required to be made available to investors. These disclosures, including those on the AIFM's remuneration policy, are contained in a separate document called "AIFMD Disclosure" which can be found on the Company's website [www.hendersoneurotrust.com](http://www.hendersoneurotrust.com).

### 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 60) 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 ("CRS")

Tax legislation under The Organisation for Economic Co-operation and Development Common Reporting Standard for Automatic Exchange of Financial Account Information was introduced with effect from 1 January 2016. The legislation requires the Company to provide personal information to HMRC on certain investors who purchase shares in investment trusts. This information has 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 Corporate Secretary. If needed, copies can be made available in a variety of formats, including Braille or larger type as appropriate.

You can contact the Registrar, 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 0370 702 0005. Specially trained operators are available during normal business hours to answer queries via this service.

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

### Foreign Account Tax Compliance ("FATCA")

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

### General Data Protection Regulation ("GDPR")

GDPR came into force on 25 May 2018. A privacy statement can be found on the website [www.janushenderson.com](http://www.janushenderson.com).

### ISA

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

### Non-mainstream pooled investments ("NMPI") status

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

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

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

## General Shareholder Information (continued)

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### Performance details/share price information

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

The Company's NAV is published daily.

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 per share and the discount.

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

### Shareholder details

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

### 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 60.

# Corporate Information

## Registered office

201 Bishopsgate  
London EC2M 3AE  
Telephone: 020 7818 1818  
Email: support@janushenderson.com

## Service providers

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

**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

**Depository and Custodian**  
HSBC Bank plc  
8 Canada Square  
London E14 5HQ

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

**Independent Auditor**  
PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT

## Financial calendar

Annual results	announced October 2019
Ex-dividend date	17 October 2019
Dividend record date	18 October 2019
Annual General Meeting <sup>1</sup>	13 November 2019
Final dividend payable on	20 November 2019
Half year results	March 2020
Interim dividend payable	April 2020

<sup>1</sup> At the Company's registered office at 2.30 pm

## Information sources

For more information about Henderson EuroTrust plc, visit the website at [www.hendersoneurotrust.com](http://www.hendersoneurotrust.com).

## HGi

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

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



Follow Janus Henderson Investment Trusts on Twitter, YouTube and Facebook



## Investing

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

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

## Nominee share code

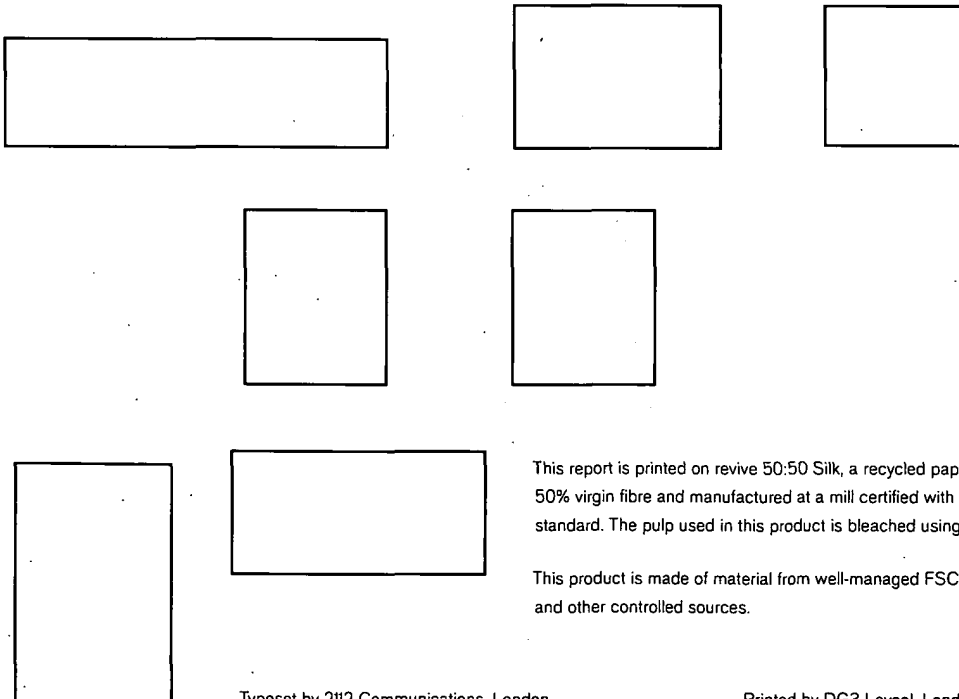
Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend General Meetings and speak at them when invited to do so by the Chairman.

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: 0419929/GB0004199294  
London Stock Exchange (TIDM) Code: HNE  
Global Intermediary Identification Number (GIIN): P560WP99999.SL.826  
Legal Entity Identifier (LEI): 213800DAFFNXRBWOEF12

Telephone: **0800 832 832**  
Email: **support@janushenderson.com**

**www.hendersoneurotrust.com**



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