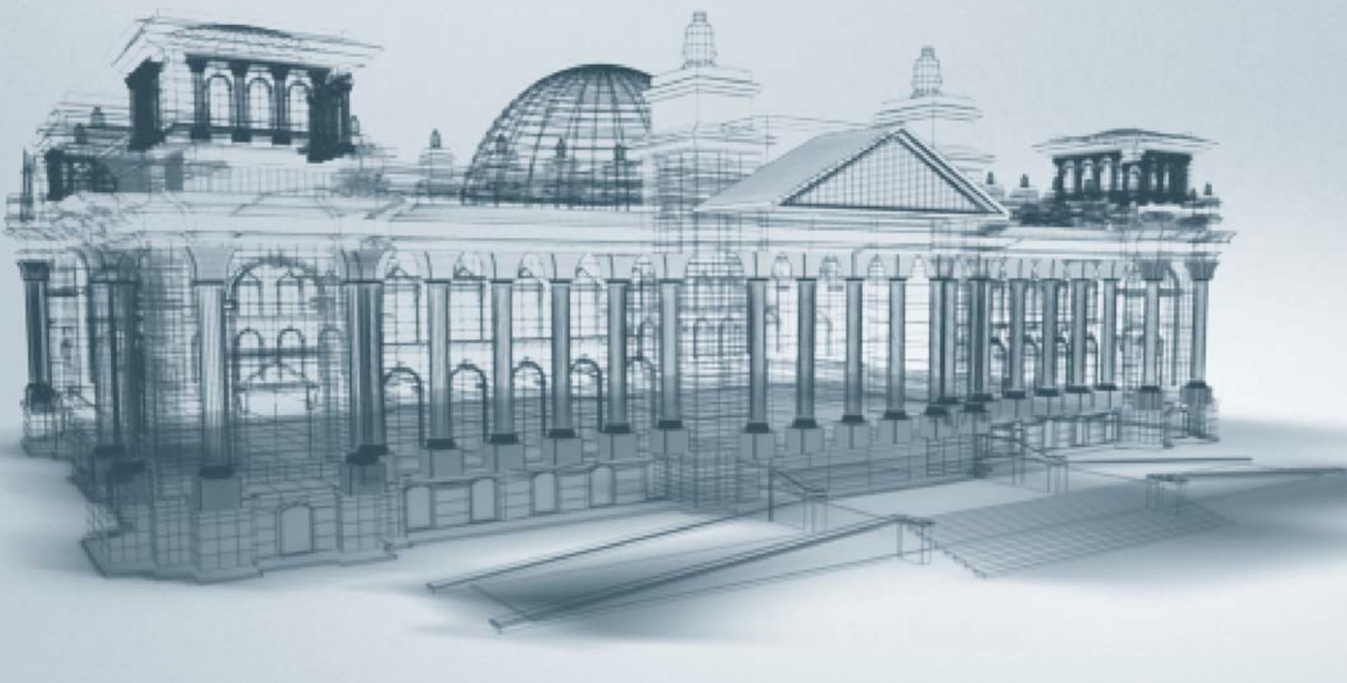
HENDERSON EUROPEAN FOCUS TRUST PLC

Annual Report 2015



MANAGED BY
Henderson
GLOBAL INVESTORS

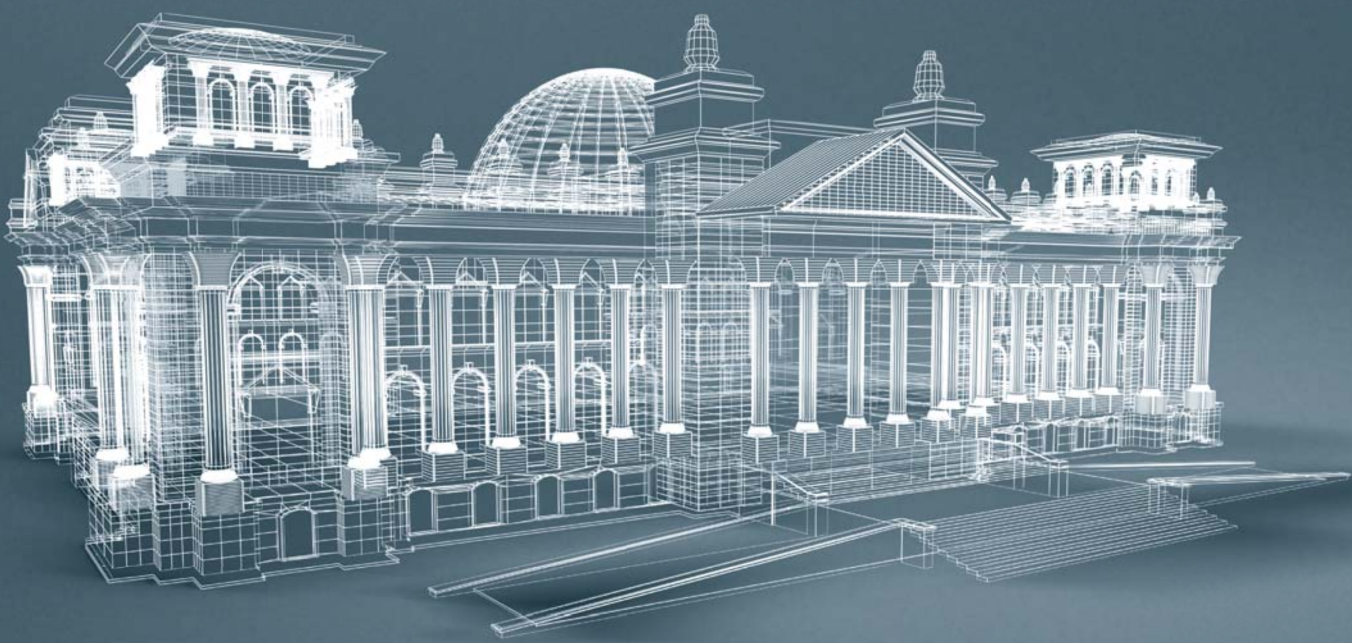
Contents

The image on the front cover is based on the Reichstag building, Berlin

Strategic Report

'Good performance against the benchmark has continued and demand for the Company's ordinary shares has increased allowing us to grow the Company over the year.'

Rodney Dennis, Chairman



Investment Adviser 100 Club Awards 2014
European Equity Fund of the Year

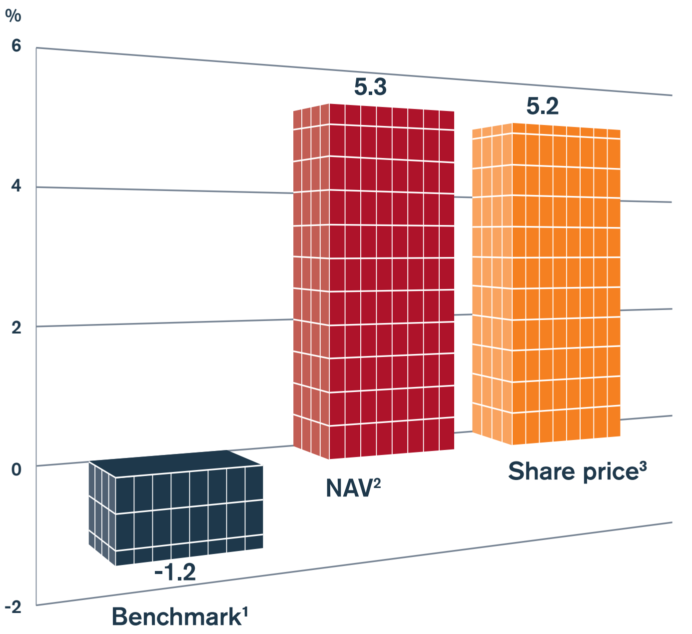
Investment Week Investment Company Awards 2015
Best European Investment Trust

Morningstar rating
Silver

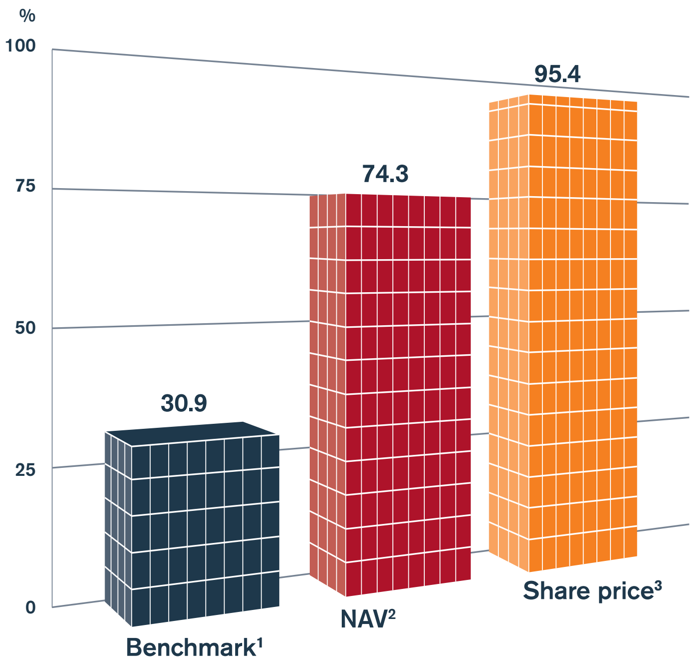
Strategic Report: Performance Highlights

Total return performance to 30 September 2015

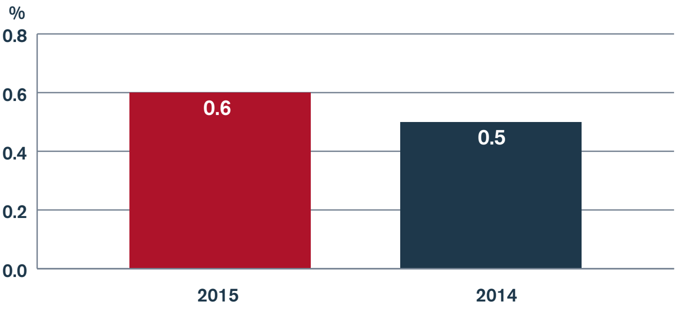
One year



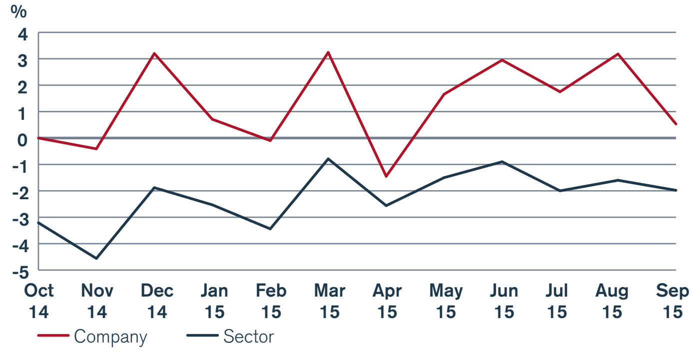
Five years



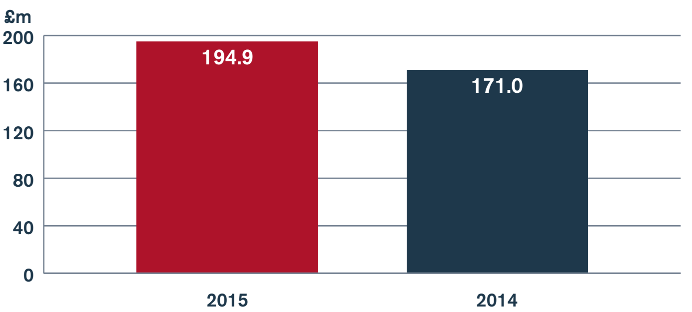
Premium to NAV per ordinary share at year end[4]



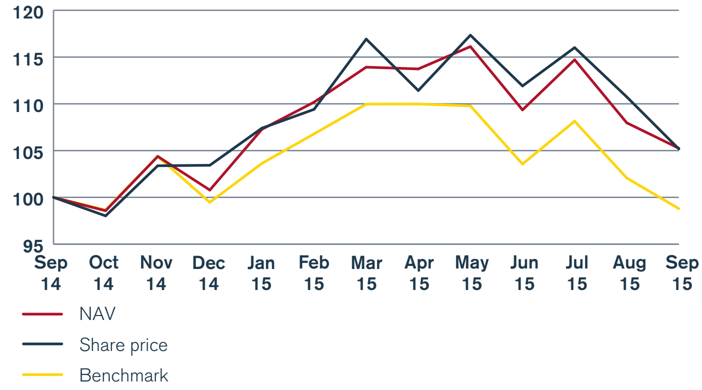
Premium/(discount) to NAV per ordinary share[5]



Net assets at year end



NAV per ordinary share and share price performance versus the benchmark (rebased from 100)[6]



Strategic Report: Performance Highlights (continued)

NAV per ordinary share at year end

2015 **981.90p**

2014 956.66p

Share price at year end

2015 **987.75p**

2014 962.00p

Dividend for year[7]

2015 **24.65p**

2014 23.45p

Dividend yield[8]

2015 **2.5%**

2014 2.4%

Ongoing charge for year[9]

2015 **0.89%**

2014 0.88%

Gearing at year end

2015 **8.9%**

2014 7.7%

Number of investments at year end

2015 **55**

2014 51

Performance fee paid

2015 **£1.30m**

2014 £1.17m

1 FTSE World Europe ex UK Index on a total return basis in sterling terms
2 Net asset value per ordinary share total return (including dividends reinvested)
3 Share price total return using mid-market closing prices
4 Calculated using published daily NAVs per ordinary share including current year revenue
5 Graph shows the Company's share price discount/premium to NAV per ordinary share compared with the average discount/premium of the AIC Europe sector over the year to 30 September 2015
6 Graph shows the Company's NAV per ordinary share total return and share price total return compared to the total return of the benchmark over the year to 30 September 2015
7 Consisting of an interim dividend of 7.00p paid in June 2015 and a recommended final dividend of 17.65p due for payment in February 2016
8 Based on the dividends paid or recommended for the year and the share price at the year end
9 The ongoing charge excludes the performance fee. The charge including the performance fee would have been 1.57% (2014: 1.59%)
Sources: Morningstar Funddata, Henderson, Datastream
A glossary of terms is included on pages 17 and 18.

Strategic Report: Business Model

Investment objective

The Company seeks to maximise total return from a focused portfolio of mainly listed Continental European stocks.

Strategy

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

Management

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

The fund management team is led by John Bennett, who has been in place since October 2010.

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

Henderson receives a management fee of 0.65% per annum, calculated monthly in arrears on the value of the Company's net assets. An additional management fee based on performance is payable if Henderson meets certain targets for the year. The performance fee is charged when the net asset value ("NAV") per ordinary share percentage increase over the year is greater than the movement in the benchmark index (the FTSE World Europe ex UK Index on a total return basis in sterling terms), plus a hurdle of 1%. Henderson is entitled to 15% of the NAV per ordinary share outperformance of the benchmark index above the hurdle (excluding the effect of share buy-backs, allotments or sales from treasury), subject to the maximum amount payable in any one year in respect of the management fee and the performance fee being 1.3% of net assets at the year end. Underperformance is carried forward and must be made up before any further performance fee can be paid. Any excess performance is carried forward and can be set against underperformance but not used to earn or enhance a performance fee payment. Each annual performance related fee is calculated based on the relevant figures for the financial year as audited and published in the relevant annual report.

With effect from 1 October 2015 the performance fee has been based on the increase in net assets calculated using average net assets instead of the net assets at the end of the year and the management fee has been calculated quarterly in arrears rather than monthly.

Investment policy

Asset allocation

The portfolio is unconstrained by benchmark and contains between 50 to 60 holdings at any one time. While awareness of benchmark constituents and sector weightings inform portfolio construction, actual weightings of stocks held in the Company's portfolio are based upon Henderson's view of their total return prospects rather than their weighting in the benchmark, therefore the stock weighting in the portfolio can be materially higher or lower than the benchmark weighting. The aim is to seek out inflection points at both stock and sector level where growth can be purchased at a reasonable price. Less emphasis is given to geographical diversification. The portfolio is not constructed with a yield target. Derivative instruments (such as futures and options) may be used for investment purposes for up to 10% of net assets.

The portfolio has a bias to larger capitalised companies but may be invested in the equity of mid and smaller capitalised companies. The exposure to smaller capitalised stocks is normally limited to 10% of NAV. Smaller capitalised companies are considered to be those with a market capitalisation of less than €1 billion at the time of investment.

Risk diversification

The Company is invested in a diversified portfolio of investments containing between 50 to 60 stocks, with a maximum single stock weighting of 10% of NAV of the portfolio at the time of investment. Stocks weighted at 5% of the portfolio or more are not expected to exceed 40% of NAV in aggregate and the typical minimum stock weight is 1% of NAV.

Gearing

The Company has the power to borrow and does so on a tactical basis when Henderson is confident that market conditions and opportunities exist to enhance investment returns by using gearing. Henderson has discretion to borrow within limits set by the Board from time to time but gearing will not exceed 20% of net assets at the time the borrowing is assumed.

The Board is seeking authority from shareholders to make an amendment to the investment policy; more details are included in the Chairman's Statement on page 5.

Strategic Report: Chairman's Statement

The Chairman of the Company, Rodney Dennis, reports on the year to 30 September 2015

Performance

In the financial year to 30 September 2015 the Company produced a net asset value ("NAV") per ordinary share total return of 5.3%. This compares to a total return of -1.2% for the FTSE World Europe ex UK Index in sterling terms. The Company's share price total return was 5.2%. As a result of this performance, the Company will be paying a performance fee to Henderson for the year of £1,300,000 (2014: £1,171,000).

The Company's shares continued to trade in a tight range relative to NAV per ordinary share, and for the majority of the year traded at a premium. This enabled the Company to continue to sell shares from treasury and also issue new ordinary shares, at a premium to the prevailing NAV per ordinary share, in order to satisfy demand in the market from investors. During the year 190,000 shares were sold from treasury and 1,787,342 new ordinary shares issued. Demand from investors has been such that the authority to issue shares was exhausted part way through the year and the Company issued a prospectus relating to the issue of a further 9,925,380 new ordinary shares, with shareholders giving approval for the issue of 5,955,228 shares without rights of pre-emption applying. The Board is pleased that this will allow the Company to continue to grow to the benefit of shareholders.

Dividend

The Board is recommending a final dividend of 17.65p per ordinary share which, subject to shareholder approval, will be paid on 5 February 2016. When added to the interim payment of 7.0p this brings the full year dividend to 24.65p, an increase of 5.1% over last year's distribution. Shareholders will note that we have made a modest contribution from the revenue reserve in order to continue the Company's progressive dividend policy.

Board changes

Michael Firth has indicated that he wishes to stand down from the Board with effect from the close of the annual general meeting in 2016. The Board would like to thank Michael for his contribution to the Company over the nine years of his tenure. The Board is delighted that Eliza Dungworth has agreed to join the Board with effect from 1 January 2016. Eliza is a former partner at Deloitte and is an experienced adviser to the investment management industry with a thorough understanding of accounting, tax and regulatory issues.

Annual general meeting ("AGM")

At the AGM on 28 January 2016, the Directors will again be seeking to renew the authorities previously granted to allot and to buy-back ordinary shares for cancellation or to be held in treasury. The passing of these resolutions will continue to provide the Board with flexibility to add shareholder value should the opportunity arise. Shareholders are also being asked to renew the authority to call general meetings at short notice.

The Board is also seeking authority to make an amendment to the Company's investment policy. The investment guidelines within which Henderson operates give authority to the Fund Manager to invest up to 5% of total assets in companies which are not listed in Continental Europe. The Board believes that it would be beneficial to shareholders to allow up to 10% of total assets to be invested in such companies in order to provide a wider investment universe, similar to that of some of the Company's peers, in order to allow the Fund Manager greater flexibility when considering investment opportunities. Authority is therefore being sought from shareholders to amend the Company's investment policy to include this restriction. Any allocation outside Continental Europe will be driven strictly by stock decisions based on merit and will be within the guidelines set by the Board.

Further details are provided in a separate letter to shareholders which includes the notice of AGM. I hope you will give these resolutions your full consideration and support.

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

Outlook

In my statement to shareholders last year I noted that the direction of the euro would be important to the direction of the European economy. In common with his central banker peers around the globe Mario Draghi has done his utmost to weaken the currency, first through the use of Quantitative Easing and, latterly, by the application of moral suasion to financial markets with indications of yet further easing. The reaction of European equities in October was Pavlovian.

Strategic Report: Chairman's Statement (continued)

This is a global game, with beggar thy neighbour currency devaluations and one can only wonder where it leads. To illustrate the effects of central bank largesse, at the time of writing, Italian Government two year bonds have dropped into negative territory – investors are now paying the Italian government to hold their money for two years. In 2011 the same paper was yielding around 8%. We now have some sympathy for the view that markets are firmly in the grip of central bank intervention, if not manipulation.

The situation has clear implications for equity investors. Shareholders in the Company will be aware that one of our Fund Manager's themes has been embodied in the title "The Scarcity of Growth and Income". This theme is born of the belief that central banks' deep and understandable fear of deflation, itself born of the astonishing debt creation of recent years, has led to their unorthodox money printing experiment. This has, in turn, distorted yield curves and led to a dash for income. The Company has sought to benefit from this trend in the belief that if an asset is scarce, it is likely to be bid up in price. Thus, stocks, capable of growing their dividend continue to play an important role in the portfolio.

Similarly, companies capable of above average sales and earnings growth continue to be sought after in this environment. Here, the challenge is somewhat greater for the value conscious investor. Such is the continuing outperformance and multiple expansion exhibited by "quality growth" stocks that we need to be conscious of the risk of a full blown "Nifty Fifty" environment developing. While refusing to chase higher multiple stocks, our Fund Manager continues to take comfort in the merits of the pharmaceutical sector, whose growth is available at acceptable prices.

I would conclude by repeating our view expressed a year ago: equities are not particularly cheap and our sense is that the tailwinds of the past five years are most unlikely to be enjoyed in the year ahead. This view is reflected in the portfolio, with gearing reduced substantially to stand at a modest 6.4% at the time of writing and in the fact that the list of names in the portfolio has been reduced to 53 since the year end. It may be an overused cliché in the world of equity investment, but for the year ahead, stock-picking will as always be crucial.

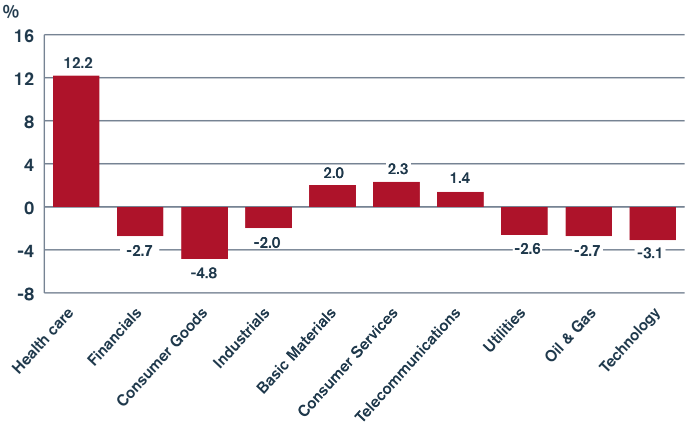
Strategic Report: Portfolio Information

Sector exposure at 30 September

As a percentage of the investment portfolio excluding cash

	2015 %	2014 %
Health care	26.3	30.4
Financials	20.8	19.3
Consumer goods	14.1	18.9
Industrials	11.5	9.2
Basic materials	9.8	9.2
Consumer services	8.2	1.2
Telecommunications	5.8	0.8
Utilities	1.2	5.9
Oil & gas	1.2	2.9
Technology	1.1	2.2

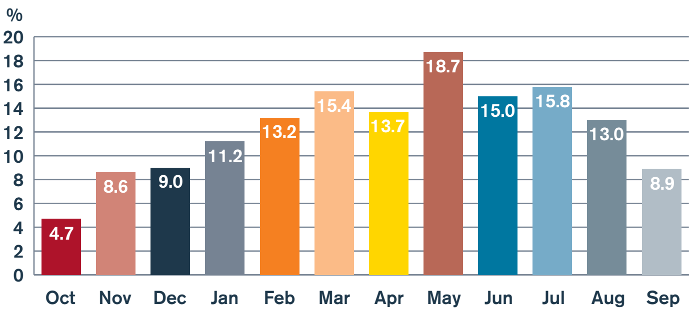
Sector underweights/overweights as at 30 September 2015



Currency exposure at 30 September[1]

	2015 %	2014 %
Euro	69.3	67.6
Swiss franc	19.6	21.1
Swedish krona	5.6	5.7
Danish krone	4.2	3.8
Norwegian krone	1.3	1.8

Gearing levels over the year to 30 September 2015

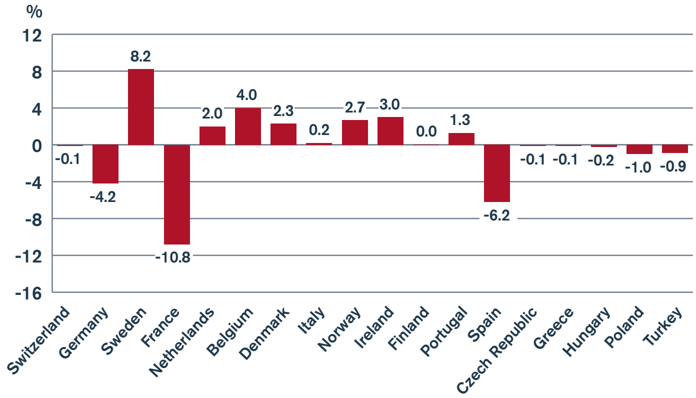


Geographic exposure at 30 September

As a percentage of the investment portfolio excluding cash

	2015 %	2014 %
Switzerland	20.6	21.5
Germany	14.9	23.7
Sweden	14.6	12.3
France	9.8	11.0
Netherlands	8.4	4.4
Belgium	7.0	6.9
Denmark	6.4	7.4
Italy	5.9	4.8
Norway	4.0	2.8
Ireland	3.7	–
Finland	2.0	3.1
Portugal	1.6	–
Spain	1.1	2.1

Country underweights/overweights at 30 September 2015



Key performance influences[2]

	%
Return of the portfolio of investments from sector allocation	+1.40
from stock selection (including currency effect)	+5.04
Impact of gearing (net)	+1.07
Impact of share buybacks or issuance	+0.53
Impact of ongoing charges	-0.89
Impact of performance fee	-0.68
NAV per ordinary share total return relative to the benchmark	+6.47

Sources: Henderson and Factset

1 Excludes sterling balances

2 Relative to the benchmark over the financial year to 30 September 2015

Strategic Report: Fund Manager's Report

The Fund Manager of the portfolio, John Bennett, reports on the year to 30 September 2015

As the Chairman's Statement noted, the number of stocks held in the portfolio has been reduced in recent months and at the time of writing the portfolio held 53 stocks. This reflects our view that there are headwinds for a growing number of stocks, most notably in the manufacturing sectors of the world economy, such as capital goods and chemicals. Nevertheless our investment process remains built upon blending sector themes with stock specifics and below is an update on our key themes.

Health care

This remains our single largest sector commitment at 26.3% of the portfolio. In last year's report we eschewed any commentary on the sector in the belief that investors had heard enough from us on the topic. This year we will say something, not least because it is set to be a noisy period ahead for the industry and, as ever in the noise, facts can be lost. In recent weeks the global pharmaceutical industry has been beset by sharply falling share prices in the biotech sector (principally in the US), sharply falling share prices in some former hedge fund darlings (principally in the US) and the start of the political posturing as US Presidential hopefuls begin their electioneering cavalcade. The gun on the latter seemed to be started by Hillary Clinton's use of Twitter to denounce egregious pricing by one particularly enterprising pharmaceutical company run by a young former hedge fund manager with interesting hair.

The share prices of most European pharmaceuticals stocks have suffered some collateral damage as a result. Yet, we are staying the course. Unlike 'momentum investors' we try to have a clue as to why we are in a stock (over and above recent share price direction). The principal reasons for our almost six year old commitment to European pharmaceuticals have not changed: attractively priced, growing cash flow and dividends allied with a boom in science. Indeed, while valuations are nowhere near as attractive as when we first engaged, our conviction on the science boom has only strengthened. We are excited by the sheer number of drug launches underway and the therapeutic areas in which they are launching, such as oncology and heart disease. In our view the stockmarket has a tricky time knowing how to value science, with many participants preferring to wait until they can see the whites of the eyes (back to those momentum jockeys). We prefer to take a view based on probabilities, risk assessment and cycles. Yes, science is just like everything else in life: it is cyclical. And we believe that we are in the foothills of a science boom.

As for the pricing debate, we remain of the view that truly innovative drugs, meeting unmet clinical needs will command pricing power.

Banking

We have often described ourselves as preferring to rent bank stocks to owning them. This is based upon bitter experience, which has tended to inform us that most banks represent leverage in the wrong hands: inherently leveraged business models often run by management whose self-belief and untrammelled ambitions defy the experience enjoyed – endured – by shareholders. Yet we have "rented" this sector in the past two or so years based upon the merits of balance sheet rehabilitation, clipped wings and an easing in the credit cycle. In recent weeks we have begun to revert to type in that we have reduced our allocation to the sector once again. This is based upon our concern that mainland Europe may well follow the Scandinavian example of ever harsher capital requirements. It is ironic that the Nordic regulators are proving among the toughest given that the banking scene there is characterised by strong capital ratios and oligopolistic markets. Neither can be said for the rest of Europe and we fear a stealth regulation burden for years to come. It may well be that in Britain the days of bash a banker are coming to an end (indeed it is this Fund Manager's view that the bashing is set to move to fund managers) but in the rest of Europe the headwinds as well as regulatory climate remain formidable. The financials sector stood at 20.8% of the portfolio compared with 23.5% in the benchmark index as at 30 September 2015. Since then our weighting has fallen further, to 17.9%.

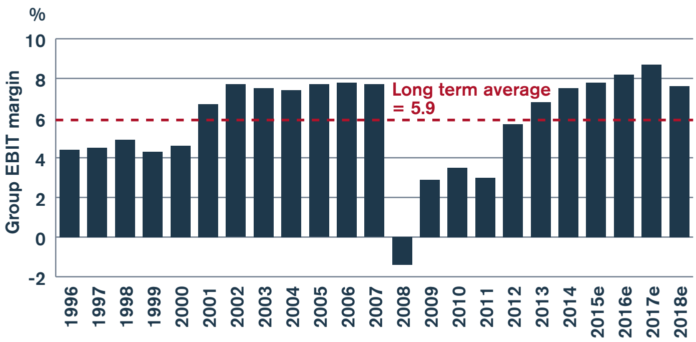
Smart cars

We continue to back our view that passenger cars (and trucks) are set to become computers on wheels. Nevertheless during the summer of 2015 we chose to reduce our exposure to just two names: Autoliv (3.5% of the portfolio) and Continental (1.4% of the portfolio). This reduction is based upon our view that we are at or near the peak of this cycle for the car industry. The following charts show the extent to which the global car industry has had a period in the sun and its potential for negative mean reversion in profitability. For example, the long term average EBIT margin of the European auto industry is 4.5%. As the chart shows, current profitability is running at around 7% which looks, to us, to be unsustainable. The charts on page 9 also show one reason why it is not a particularly good idea to invest for the long term in car manufacturers: profitability is poor. We tend to see car

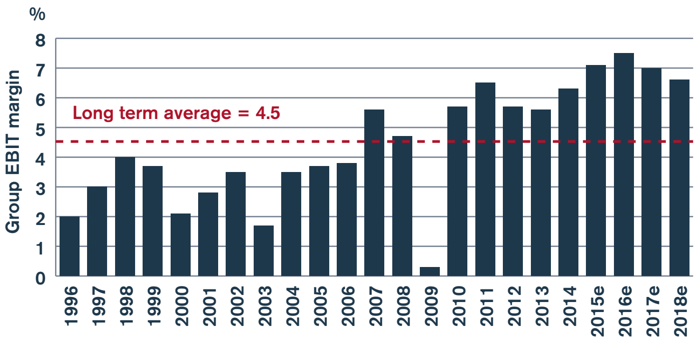
Strategic Report: Fund Manager's Report (continued)

stocks as situations for those who believe they are good at timing as opposed to investing. In our experience as soon as you've bought stock in a car manufacturer you have to think about when you're selling.

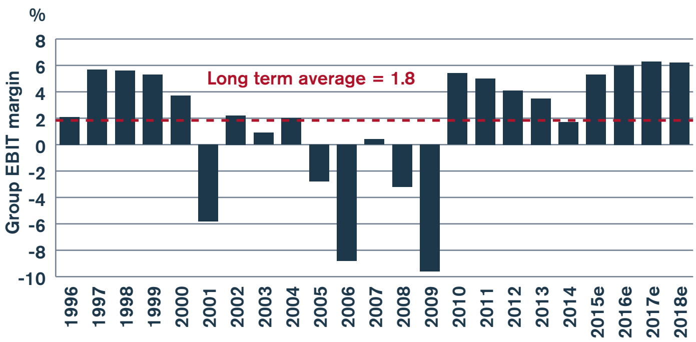
Japanese profitability



European profitability



US profitability



Source: Exane, as at September 2015

The question arises – if we have sold holdings in banking and smart cars where have we put the money? One answer is that we have consciously reduced gearing since the year end, reflecting a smaller opportunity set given valuations and growing risks to certain sectors of the economy. We have also tilted the portfolio back toward more domestic businesses in Europe, good examples being the telecoms sector and stock specific names such as Deutsche Bourse. This penchant for domesticity reflects our belief that internationally traded goods (including cars) are in for a difficult time while domestic Europe offers more attraction.

Smaller companies

Similar thinking can be applied to the Company's selection of smaller capitalisation names. Last year we highlighted two such names: Tessenderlo and Veidekke. Neither has disappointed, with share price total return gains in the year ended 30 September 2015 of 21.1% and 23.1% respectively. We booked some profit in both stocks in recent months but retain a holding in each.

The portfolio holds a good number of smaller companies and we have high expectations of our holdings in ISS (Danish contract cleaning and service), Warehouses de Pauw (Benelux warehouse operator), Bilfinger (German facilities management) and NOS (Portuguese cable media). Each of these stocks exemplifies our current preference for domestic European exposure.

Personal holding

During the year my beneficial interest in the Company rose to 292,307 shares.

Strategic Report: Investment Portfolio as at 30 September 2015

Ranking 2015	Ranking 2014	Company	Sector	Country of listing	Valuation 2015 £'000	Percentage of portfolio
1	2	**Novartis**	Pharmaceuticals & Biotechnology	Switzerland	15,115	7.12
2	1	**Roche**	Pharmaceuticals & Biotechnology	Switzerland	12,582	5.93
3	6	**Nestlé**	Food Producers	Switzerland	10,123	4.77
4	13	**AstraZeneca**	Pharmaceuticals & Biotechnology	Sweden	9,805	4.62
5	3	**Bayer**	Chemicals	Germany	7,765	3.66
6	30	**RELX**	Media	Netherlands	7,696	3.62
7	5	**Autoliv**	Automobiles & Parts	Sweden	7,455	3.51
8	4	**Novo-Nordisk**	Pharmaceuticals & Biotechnology	Denmark	6,365	3.00
9	17	**Henkel**	Chemicals	Germany	5,866	2.76
10	7	**Fresenius**	Health Care Equipment & Services	Germany	5,796	2.73
		10 largest			**88,568**	**41.72**
11	–	Warehouses de Pauw	Real Estate Investment Trusts	Belgium	4,505	2.12
12	9	Nordea	Banks	Sweden	4,329	2.04
13	24	UBS	Banks	Switzerland	4,205	1.98
14	–	Ahold	Food & Drug Retailers	Netherlands	3,930	1.85
15	14	ING	Banks	Netherlands	3,898	1.84
16	10	Veidekke	Construction & Materials	Norway	3,844	1.81
17	12	Sanofi	Pharmaceuticals & Biotechnology	France	3,833	1.81
18	22	Intesa Sanpaolo	Banks	Italy	3,773	1.78
19	–	NOS	Media	Portugal	3,366	1.59
20	–	Smurfit Kappa	General Industrials	Ireland	3,277	1.54
		20 largest			**127,528**	**60.08**
21	20	Tessenderlo Chemie	Chemicals	Belgium	3,166	1.49
22	–	Telecom Italia	Fixed Line Telecommunications	Italy	3,133	1.48
23	16	Continental	Automobiles & Parts	Germany	3,057	1.44
24	–	Industria Macchine Automatiche	Industrial Engineering	Italy	2,898	1.36
25	34	Interpump	Industrial Engineering	Italy	2,807	1.32
26	–	DNB	Banks	Norway	2,805	1.32
27	–	Legrand	Electronic & Electrical Equipment	France	2,795	1.31
28	25	KBC	Banks	Belgium	2,700	1.27
29	–	Trelleborg	Industrial Engineering	Sweden	2,625	1.24
30	51	Com Hem	Fixed Line Telecommunications	Sweden	2,573	1.21
		30 largest			**156,087**	**73.52**
31	18	Total	Oil & Gas Producers	France	2,522	1.19
32	–	Origin Enterprises	Food Producers	Ireland	2,475	1.17
33	–	ISS	Support Services	Denmark	2,462	1.16
34	40	Danske Bank	Banks	Denmark	2,457	1.16
35	–	Veolia Environnement	Gas Water & Multiutilities	France	2,452	1.15
36	–	Rubis	Banks	France	2,435	1.15
37	–	Vivendi	Media	France	2,423	1.14
38	41	Bankinter	Banks	Spain	2,416	1.14
39	11	UCB	Pharmaceuticals & Biotechnology	Belgium	2,407	1.13
40	–	Royal Unibrew	Beverages	Denmark	2,384	1.12
		40 largest			**180,520**	**85.03**
41	–	Deutsche Telekom	Mobile Telecommunications	Germany	2,362	1.11
42	43	Fuchs Petrolub	Chemicals	Germany	2,348	1.11
43	–	SAP	Software & Computer Services	Germany	2,341	1.10
44	–	Aktia	Banks	Finland	2,266	1.07
45	–	Unilever	Personal Goods	Netherlands	2,196	1.03
46	23	BIC	Household Goods & Home Construction	France	2,183	1.03
47	–	Deutsche Boerse	Financial Services	Germany	2,158	1.01
48	–	Proximus	Fixed Line Telecommunications	Belgium	2,150	1.01
49	–	Svenska Handelsbank	Banks	Sweden	2,146	1.01
50	–	Orange	Fixed Line Telecommunications	France	2,063	0.97
51	–	Bank of Ireland	Banks	Ireland	2,051	0.96
52	50	Ratos	Financial Services	Sweden	2,021	0.95
53	48	Tikkurila	Construction & Materials	Finland	1,943	0.92
54	–	Borregaard	Chemicals	Norway	1,796	0.85
55	–	OC Oerlikon	Industrial Engineering	Switzerland	1,794	0.84
		Total listed equity investments at fair value			**212,338**	**100.00**

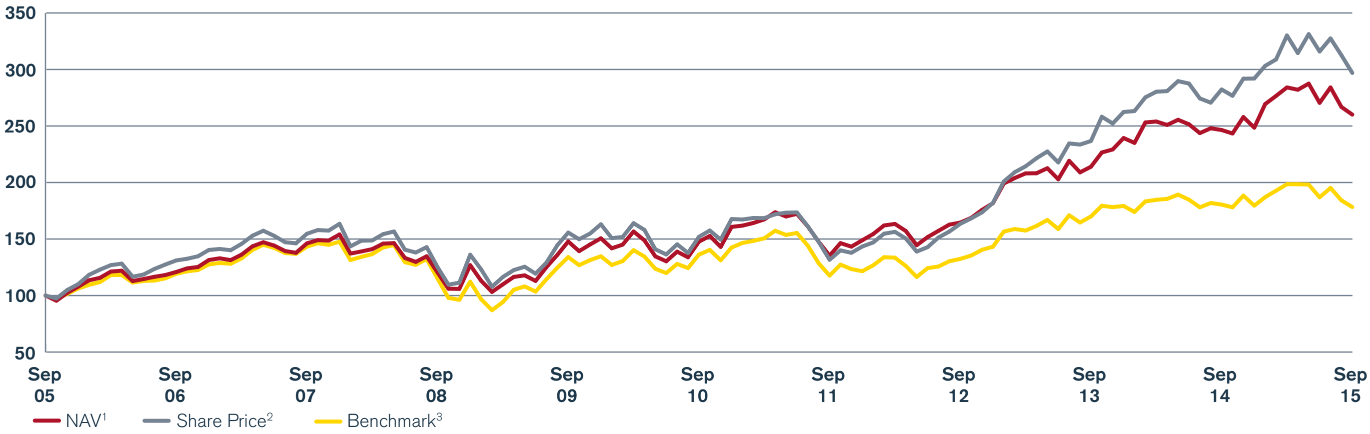
All securities are equity investments

Strategic Report: Historical Performance and Financial Information

Total return performance to 30 September 2015 (including dividends reinvested and excluding transaction costs)

	1 year %	3 years %	5 years %	10 years %
NAV[1]	5.3	56.1	74.3	160.1
Share price[2]	5.2	81.6	95.4	196.9
Benchmark index[3]	-1.2	34.6	30.9	78.3
Average sector NAV[4]	4.3	45.1	54.6	123.7
Average sector share price	4.3	44.9	49.8	92.2

Total return performance over the 10 years to 30 September 2015 (rebased from 100)



Financial information

At 30 September	Net assets £'000	NAV p	Mid-market price per ordinary share p	Profit/(loss) for year £'000	Revenue return p	Capital return p	Total return p	Dividend p	Expenses[6] %
2006	322,093	555.4	538.00	56,958	8.78	87.57	96.35	12.00	–
2007	219,515	667.8	632.50	58,903	7.12	117.41	124.53	8.00	1.70
2008[5]	161,739	551.3	505.50	(34,115)	15.12	(123.85)	(108.73)	14.00	1.00
2009	176,766	657.0	613.00	30,730	15.63	94.92	110.55	14.00	1.20
2010	144,945	645.9	585.50	(1,584)	15.69	(22.06)	(6.37)	16.50	1.10
2011	103,913	580.0	493.88	(9,750)	18.29	(69.09)	(50.80)	17.75	0.82
2012	115,431	682.2	591.75	19,832	17.49	98.18	115.67	19.00	1.16
2013	145,762	861.5	831.50	33,546	25.37	172.90	198.27	21.30	1.10
2014	170,988	956.7	962.00	21,010	22.14	98.38	120.52	23.45	0.88
2015	**194,914**	**981.9**	**987.75**	**7,459**	**23.59**	**16.35**	**39.94**	**24.65**	**0.89**

1 Net asset value per ordinary share with income reinvested for 1, 3 and 5 years and capital NAV per ordinary share plus income reinvested for 10 years
2 Share price total return using mid-market closing prices
3 FTSE World Europe ex UK Index on a total return basis in sterling terms
4 The sector is the AIC Europe sector
5 Revenue return includes 1.45p per ordinary share in respect of VAT recovery on past management fees
6 Using total expense ratio methodology for 2010 and previous years; ongoing charge methodology thereafter. Data is not available for 2006. The methodology for these calculations exclude performance fees
Sources: Henderson, Morningstar Funddata, Datastream

Strategic Report: Corporate Information

Directors

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

Rodney Dennis

Position: Chairman of the Board and of the Management Engagement Committee
Date of appointment: 11 November 2003 (Chairman on 14 September 2006)
Rodney has held a number of non-executive directorships and trusteeships and was the deputy CEO of the Prince's Trust. Prior to that he had a career in the City, culminating in him being the global CIO of Prudential Portfolio Managers.

Alexander Comba

Position: Chairman of the Audit Committee and Senior Independent Director
Date of appointment: 11 November 2003
Alexander is a chartered accountant. He was previously group finance director of Vinci PLC, one of the UK's largest construction groups.

Alain Dromer

Position: Director
Date of appointment: 1 April 2014
Alain is an experienced financial services executive director. He was previously CEO of Aviva Investors; Global Head of Group Investment Business of HSBC Investments; Head of Asset Management at CCF Credit Commercial de France and Head of Capital Markets of La Compagnie Financiere Edmond de Rothschild Banque. Prior to that he held various roles in the government of France, French Treasury (including Section Head, World Monetary Affairs & IMF and Deputy Head of Office of Financial Markets). He is an independent non-executive director of Santander UK plc and Majid Al Futtaim Trust LLC and an independent member of the board of certain Moody's subsidiaries in Europe, including Moody's Investors Service Limited.

Michael Firth

Position: Director
Date of appointment: 17 November 2006
Michael was previously a non-executive director of Network Rail Limited, Communisis plc, Somerfield plc and First Technology PLC, having previously been head of corporate banking at HSBC Bank plc.

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

Strategic Report: Corporate Information (continued)

Registered office
201 Bishopsgate
London EC2M 3AE

Service providers

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

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

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

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

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

Telephone: 0371 384 2457
(or +44 121 415 7047 if calling from overseas)
Lines are open 8.30am to 5.30pm UK time,
Monday to Friday, excluding English public holidays.

There is a range of shareholder information online.

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

Independent auditor
Ernst & Young LLP
25 Churchill Place
London E14 5EY

Financial calendar
Annual results announced December 2015
Ex dividend date 7 January 2016
Dividend record date 8 January 2016
Annual general meeting[1] 28 January 2016
Final dividend payable on 5 February 2016
Half year results announced May 2016
Interim dividend payable June 2016

Information sources
For more information about the Company, visit the website at **www.hendersoneuropeanfocus.com**

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

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

Follow Henderson Investment Trusts on Twitter, YouTube and Facebook
For alternative access to Henderson's insight you can now follow on Twitter, YouTube and Facebook

Investing
Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website. Individuals holding shares through Halifax Share Dealing Limited can write to them at Lovell Park Road, Leeds LS1 1NS or contact them via telephone 03457 225 525, email **Henderson@halifax.co.uk** or visit their website **www.halifax.co.uk/sharedealing**.

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

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

1 At the Company's registered office at 2.30pm

Strategic Report: Corporate Information (continued)

Status

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

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

Principal risks and uncertainties

The Board, with the assistance of Henderson, has drawn up a matrix of risks facing the Company and has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, in order to mitigate these risks as far as practicable. The principal risks which have been identified, and the steps taken by the Board to mitigate these as far as possible, and whether the Board considers the impact of such risks has changed over the past year, are as follows:

Risk	Controls and mitigation	Board action/consideration
Market risk The Company's performance is dependent on the performance of the companies and markets in which it invests and will also be affected by the strength of currencies in the regions in which it invests relative to sterling.	Investment risk is spread by holding a diversified portfolio of companies with strong balance sheets and above average growth prospects. A significant proportion of the holdings in the Company's portfolio may not be represented in the benchmark index. An analysis of the Company's portfolio and geographical weightings compared to the benchmark index is included on page 7.	The Board considers this risk to have remained unchanged throughout the year under review.
Gearing Henderson has authority to use gearing in line with the Company's investment policy. In the event of a significant or prolonged fall in equity markets gearing would exacerbate the effect of the falling market on the Company's NAV and, consequently, its share price.	The Board has set a limit on gearing of 20% of net assets and monitors the level of gearing at each meeting.	The Board considers this risk to have remained unchanged throughout the year under review.
Other financial risks The financial risks faced by the Company include market price risk, interest rate risk, liquidity risk, currency risk and credit and counterparty risk.	The Company minimises the risk of a counterparty failing to deliver securities or cash by dealing through organisations that have undergone rigorous due diligence by Henderson. The Company holds its liquid funds, which are mostly denominated in euros, almost entirely in interest bearing bank accounts in the UK or on short-term deposit. This, together with a portfolio which comprises mainly investments in large and medium-sized companies mitigates the Company's exposure to liquidity risk. The majority of the Company's assets and liabilities are denominated in currencies other than sterling. No hedging of the currency exposure is undertaken. Consequently, exchange rate fluctuations have the potential to reduce or enhance returns for sterling based investors. Exposure to currencies as a percentage of the portfolio as at 30 September 2015 is shown on page 7.	The Board considers these risks to have remained unchanged throughout the year under review.
Operational risks Disruption to, or the failure of, Henderson's accounting, dealing or payment systems or the custodian's records could prevent the accurate reporting or monitoring of the Company's financial position. Henderson contracts some of the operational functions (principally those relating to trade processing, investment administration and accounting) to BNP.	The Board receives regular reports on the internal controls in place at Henderson, BNP and the depositary (which appoints the custodian) to mitigate against the risk of failure of the systems. These include reports on business continuity planning and the procedures in place in relation to cyber risk.	The Board has considered the increased threat of cyber activity on Henderson's operations during the year and is comfortable with the controls and procedures put in place in this regard. This will be an ongoing area of consideration.

Strategic Report: Corporate Information (continued)

Risk	Controls and mitigation	Board action/consideration
Key man risk The Company depends on the diligence, skill and judgement of Henderson's investment team. The continued service of these individuals, and in particular John Bennett, could impact the future success of the Company.	The Board has been assured by Henderson that John Bennett and the European Equities team are appropriately remunerated and incentivised in their roles. The Company's performance fee provides an additional incentive. Henderson has a strong European Equities team which supports John Bennett in the management of the Company's portfolio and looks to develop managers with the capability to succeed John in the fullness of time.	The Board considers this risk to have remained unchanged throughout the year under review.

Viability statement

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

The assessment has considered the impact of the likelihood of the principal risks and uncertainties facing the Company, in particular market, gearing, financial and operational risks, in severe but plausible scenarios, and the effectiveness of any mitigating controls in place.

The Directors took into account the liquidity of the portfolio, the gearing and the income stream from the portfolio in considering the viability of the Company over the next three years and its ability to meet liabilities as they fall due. This included consideration of how the forecast income stream, expenditure and levels of reserves could impact on the Company's ability to pay dividends to shareholders over that period in line with its current progressive dividend policy. Whilst detailed forecasts are only made over a shorter timeframe, the nature of the Company's business as an investment trust means that such forecasts are equally valid to be considered over the longer three year period as a means of assessing whether the Company can continue in operation.

The Directors conducted this review for a period of three years because they consider this to be an appropriate period over which they 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.

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

Borrowing

The Company has a secured multicurrency overdraft arrangement with HSBC Bank plc that allows it to borrow up to the lesser of £46.8 million and 25% of custody assets as and when required. The level of gearing at 30 September 2015 is shown on page 3. The Fund Manager is responsible for deciding on the currency mix of the borrowings and seeks to avoid active currency positions relative to the benchmark. The Board monitors the level of gearing, which is restricted by the Company's investment policy. Borrowing levels are also restricted by financial covenants.

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 on page 4. The Chairman's Statement and Fund Manager's Report provide commentary on the outlook for the Company.

Key performance indicators

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

KPI	Action
Performance measured against the benchmark	The net asset value ("NAV") per ordinary share and share price total return compared with the movement of the FTSE World Europe ex UK Index in sterling terms on a total return basis.
Discount or premium to NAV per ordinary share	The level of discount or premium at which the ordinary shares trade relative to the NAV per ordinary share. The Board has a pragmatic approach to share buy-backs and keeps its policy under review, monitoring liquidity in the Company's shares and the level of discount in comparison to its peers as well as the longer term trends for discounts in the sector.
Ongoing charge	The costs of running the Company calculated using the AIC ongoing charge methodology.

The charts and tables on pages 2, 3 and 11 show how the Company has performed against these KPIs and the Chairman's Statement and Fund Manager's Report give more information on performance.

Strategic Report: Corporate Information (continued)

Corporate responsibility

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

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

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

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

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

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

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

The Company's Annual Report is printed on paper produced using 50% recycled post-consumer waste and 50% wood fibre from fully sustainable forests with certification by the Forest Stewardship Council; the printing company used is certified as CarbonNeutral®. Papers for the Company's Board meetings are now mainly circulated electronically rather than in paper form.

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

Board diversity
The Directors consider diversity when making appointments to the Board, taking into account skills, experience, knowledge and gender. Currently, all of the Company's Directors are male. Eliza Dungworth will join the Board with effect from 1 January 2016. 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

Alexander Comba
Director
8 December 2015

Strategic Report: Glossary

Alternative Investment Fund Managers Directive ("AIFMD")

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

Association of Investment Companies ("AIC")

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

Benchmark

An index against which performance is compared. For the Company this is the FTSE World Europe ex UK Index on a total return basis in sterling terms.

Continental Europe

Every country in mainland Europe except the UK, the Channel Islands, Iceland and the Isle of Man.

Custodian

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

Depositary

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

Derivative

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

Dividend dates

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

Gearing

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

Investment trusts

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

Liquidity

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

Market capitalisation ("market cap")

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

Strategic Report: Glossary (continued)

Net asset value ("NAV") per ordinary share

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

Ongoing charge

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

Premium/discount

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

Total return performance

This is the return on the share price or NAV per share taking into account both the rise and fall of share prices and the dividends and interest paid to shareholders during a given period. 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 per share total return).

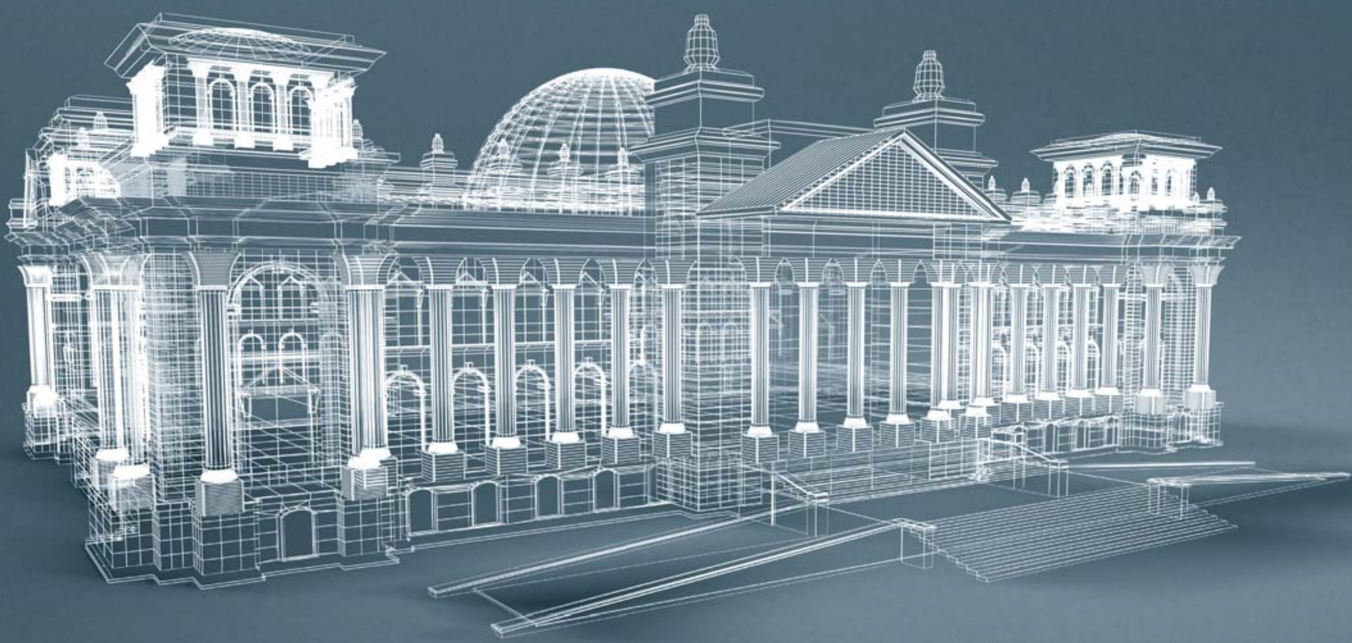
Treasury shares

Shares repurchased by the Company but not cancelled.

Yield

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

Corporate Report



Report of The Directors

The Directors present the audited financial statements of the Company and their report for the year from 1 October 2014 to 30 September 2015. The Company (registered in England & Wales on 20 January 1947 with company registration number 427958) was active throughout the year under review and was not dormant.

Directors' remuneration and shareholdings

The Directors' Remuneration Report on pages 23 and 24 provides information on the remuneration and share interests of the Directors.

Directors' conflicts of interest

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

Related party transactions

The Company's transactions with related parties in the year were with the Directors and Henderson. There have been no material transactions between the Company and its Directors during the year other than amounts paid to them in respect of expenses and remuneration for which there were no outstanding amounts payable at the year end. In relation to the provision of services by Henderson, other than fees payable by the Company in the ordinary course of business and the provision of sales and marketing services there have been no transactions with Henderson affecting the financial position of the Company during the year under review. More details on transactions with Henderson, including amounts outstanding at the year end, are given in note 26 on page 49.

Share capital

As at 30 September 2015 the Company's paid up share capital consisted of 19,991,491 ordinary shares of 50p each, 19,850,761 shares with full voting rights and 140,730 shares held in treasury with no voting rights or rights to dividends. All ordinary shares not held in treasury rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid. To the extent that they exist, the revenue profits of the Company (including accumulated revenue reserves) are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to shareholders pro rata to their holding of ordinary shares.

Subject to shareholder approval, the Company may allot shares or sell equity securities held by the Company in treasury. During the year, the Company sold 190,000 shares out of treasury, all at a premium to the prevailing net asset value ("NAV") per ordinary share. The Company has also issued 1,787,342 new ordinary shares during the year which were issued to Winterflood Investment Trusts (the Company's broker) at prices ranging from 1006p to 1124p per ordinary share for total proceeds (net of commission) of £19,220,000. Since the end of the year to 3 December 2015 no further shares have been sold out of treasury and 550,000 new ordinary shares have been issued. Also subject to shareholder approval, the Company may purchase its own ordinary shares at a discount to NAV per ordinary share. At the annual general meeting ("AGM") in January 2015 shareholders gave the Board authority to buy back 2,679,226 ordinary shares during the following 15 months for cancellation or to be held in treasury. During the year ended 30 September 2015 the Company did not repurchase any ordinary shares. Since the end of the year to 3 December 2015 no ordinary shares have been repurchased by the Company.

Holdings in the Company's shares

Declarations of interests in the voting rights of the Company as at 30 September 2015 in accordance with the disclosure and transparency rules ("DTRs") were as follows:

	% of voting rights
Investec Wealth & Investment	8.7
Rathbone Investment Management	4.4

No changes have been notified in the period 1 October 2015 to 3 December 2015.

In accordance with section 793 of the Companies Act 2006 ("Section 793"), the Company is aware of the following substantial holdings in the Company's ordinary shares as at 30 September 2015:

	Number of ordinary shares held	% of ordinary shares in issue
Investec Wealth & Investment	2,088,230	10.5
Halifax Share Dealing	1,287,258	6.5
Hargreaves Lansdown	1,268,744	6.4
Charles Stanley	917,357	4.6
Rathbone Investment Management	906,474	4.6
Brewin Dolphin	825,183	4.2
Alliance Trust Savings	769,066	3.9
Smith & Williamson	704,756	3.6
F&C Asset Management	673,329	3.4

Differences between the disclosures made under the DTRs and Section 793 arise when the beneficial owner has not given voting rights to the registered owner.

Report of The Directors (continued)

At 30 September 2015, 6.5% of the issued ordinary shares were held on behalf of participants in Halifax Share Dealing products run by Halifax Share Dealing Limited. The participants in these schemes are given the opportunity to instruct the relevant nominee company to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company.

Annual general meeting

The AGM will be held on Thursday 28 January 2016 at 2.30pm at the Company's registered office. The notice and details of the resolutions to be put at the AGM are contained in the separate document being sent to shareholders with this report.

Corporate Governance

The Corporate Governance Statement, set out on pages 25 to 28 forms part of the Report of the Directors.

Directors' statement as to disclosure of information to auditor

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

Global greenhouse gas emissions

As an externally managed investment company, the Company has no greenhouse gas emissions to report from its operations for the year to 30 September 2015 (2014: same), nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Listing Rule 9.8.4

Listing Rule ("LR") 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard other than in accordance with LR 9.8.4(7) which is disclosed on page 20 in the share capital section.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
8 December 2015

Statement of Directors' Responsibilities

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting standards 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 profit 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 Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 and 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 performance, business model and strategy.

Statement under DTR 4.1.12

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

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report includes 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

Alexander Comba
Director
8 December 2015

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

The maintenance and integrity of the website is the responsibility of Henderson; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the Annual Report since it was initially presented on the website.

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

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the "Regulations"). The report also meets the relevant requirements of the Companies Act 2006 (the "Act") and the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles relating to Directors' remuneration. As required by section 439 of the Act, an ordinary resolution to approve the report will be proposed at the annual general meeting ("AGM") on 28 January 2016. The Company's remuneration policy was approved by shareholders at the AGM in 2014 in accordance with section 439A of the Act. No changes to the policy are currently proposed.

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

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

Remuneration policy

Directors are remunerated in the form of fees, payable quarterly in arrears to the Directors personally. 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 remuneration should reflect the time spent on the Company's affairs and the responsibilities borne by the Directors. They should be comparable to that of other investment trusts of a similar size and with a similar capital structure and investment objective and should be of a sufficient level to promote the long term success of the Company. All Directors, including any new appointments to the Board, are paid at the same rate, apart from the Chairman of the Board and the Chairman of the Audit Committee who are paid a higher fee in recognition of their additional responsibilities. The level of remuneration paid to each Director is reviewed annually, although such review will not necessarily result in any change to the rate; any feedback from shareholders would be taken into account when setting remuneration levels. Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties.

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

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

This policy has been in place since 1 October 2012 and will remain in place until the annual general meeting in 2017 unless it is amended by way of ordinary resolution put to shareholders at a general meeting. The Board may amend the level of remuneration paid to individual Directors within the parameters of the remuneration policy.

Annual statement

As Chairman of the Company, Rodney Dennis reports that there have been no major decisions on Directors' remuneration or any changes to the remuneration paid to each individual Director in the year under review.

Annual report on remuneration

Directors' interests in shares (audited)

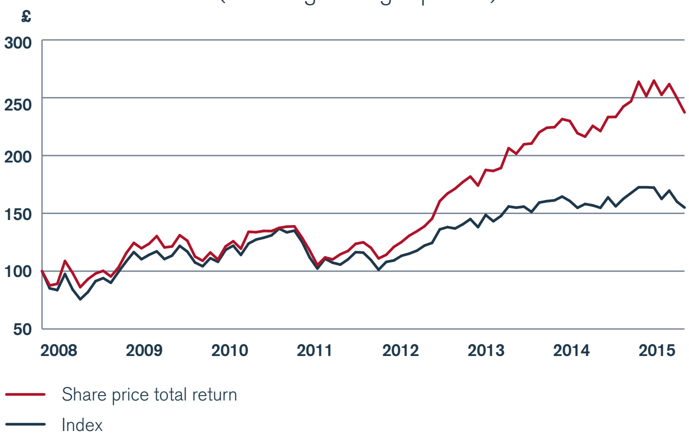
	Ordinary shares of 50p	
	30 September 2015	1 October 2014
Rodney Dennis	7,515	7,515
Jean Claude Banon[1]	–	–
Alexander Comba	5,000	5,000
Alain Dromer	2,200	2,200
Michael Firth	2,500	2,500

1 Retired on 30 January 2015

The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the above table. There have been no changes to any of the Directors' holdings in the period 1 October to 3 December 2015.

Performance

The graph compares the mid-market price of the Company's ordinary shares over the seven year period ended 30 September 2015 with the return from the FTSE World Europe ex UK Index on a total return basis in sterling terms ("Index") over the same period, assuming the investment of £1,000 on 30 September 2008 and reinvestment of all dividends and income (excluding dealing expenses).



Sources: Morningstar Funddata and Datastream

Directors' Remuneration Report (continued)

Directors' remuneration (audited)

The remuneration paid to the Directors who served during the years ended 30 September 2015 and 30 September 2014 were as follows:

	Year ended 30 September 2015 Total salary and fees £	Year ended 30 September 2014 Total salary and fees £	Year ended 30 September 2015 Taxable benefits £	Year ended 30 September 2014 Taxable benefits £	Year ended 30 September 2015 Total £	Year ended 30 September 2014 Total £
Rodney Dennis[1]	30,000	30,000	–	–	30,000	30,000
Jean Claude Banon[2]	7,000	21,000	–	–	7,000	21,000
Alexander Comba[3]	24,000	24,000	–	–	24,000	24,000
Alain Dromer[4]	21,000	10,000	–	–	21,000	10,000
Michael Firth	21,000	21,000	–	333	21,000	21,333
Total	**103,000**	**106,000**	**–**	**333**	**103,000**	**106,333**

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 30 January 2015

3 Chairman of the Audit Committee

4 Appointed on 1 April 2014

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

Since 1 October 2011 the fees paid to the Directors have been: Chairman £30,000, Audit Committee Chairman £24,000 and Director £21,000.

Relative importance of spend on pay

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

	2015 £	2014 £	Change £
Total remuneration	103,000	106,333	(3,333)
Ordinary dividend paid during the year	4,464,443	4,664,048	(199,605)

Statement of voting at annual general meeting

At the 2015 AGM 3,173,096 votes (99.5%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 5,720 (0.2%) were against, 9,916 (0.3%) were discretionary and 15,860 were withheld; the percentage of votes excludes votes withheld.

For and on behalf of the Board

Alexander Comba
Director
8 December 2015

Corporate Governance Statement

Applicable corporate governance codes

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

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

Statement of compliance

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

The UK Code includes provisions relating to:

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

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

Directors

Terms of appointment

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 annual general meeting ("AGM") and is available on the website **www.hendersoneuropeanfocus.com**.

Directors' appointment and retirement

The Board may appoint Directors to the Board without shareholder approval. Any Director so appointed must stand for election by shareholders at the next AGM in accordance with the articles of, association. In accordance with this provision, Eliza Dungworth whose appointment has been announced since the year end, will stand for election at the 2016 AGM.

The AIC Code states that any director who has served for more than nine years is subject to annual re-election. Rodney Dennis and Alexander Comba are therefore required to seek re-election to the Board at the 2016 AGM. Michael Firth has indicated that he does not wish to offer himself for re-election and so he will retire with effect from the close of the AGM.

All Directors are appointed for an initial term of three years. The articles of association require each Director to retire and submit themselves for re-election at least every three years. No Director is subject to these provisions this year.

The contribution and performance of each of the Directors seeking re-election was reviewed by the Board in September 2015, and the continuing appointment of each of those Directors is recommended.

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

Directors' independence

All Directors have a wide range of other interests and are not dependent on the Company itself. At the Board meeting in September 2015, the Directors reviewed their independence and confirmed that all Directors remain wholly independent of Henderson. Rodney Dennis, Alexander Comba and Michael Firth have served on the Board for more than nine years; in line with the AIC Code, the Board believes that length of service does not diminish the contribution from a Director as experience and knowledge of the Company is a positive factor and should not impact a Director's independence. 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. Alexander Comba is appointed as Senior Independent Director.

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

Directors' professional development

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

Corporate Governance Statement (continued)

Directors' insurance and indemnification

Directors' and officers' liability insurance cover is in place which indemnifies the Directors against certain liabilities arising from the carrying out of their duties. Under the Company's articles of association and, subject to the provisions of UK legislation, a qualifying third party provision indemnity may be provided to Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the Court. 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 currently consists of four non-executive Directors and the biographies of those holding office at the date of this report are included on page 12. Those details demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors. All Directors served throughout the year.

The Board has continued its succession planning, which started with the appointment of Alain Dromer last year, with the appointment of Eliza Dungworth as detailed on page 5.

Responsibilities of the Board and its Committees

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

The Board is responsible for the approval of annual and half year results and other public documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Company's position and prospects. The Directors confirm that they are satisfied that the Annual Report for the year ended 30 September 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

At each meeting the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's objective and is responsible for setting asset allocation, investment and gearing limits within which Henderson has discretion to act and regularly reviews investment strategy. It has adopted a procedure for Directors to take independent professional advice in the furtherance of their duties at the expense of the Company.

The Board is responsible for reviewing Board succession planning and tenure policy, the performance of the Board as a whole and the Board Committees and appointment of new Directors through an established formal procedure.

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

Given the small size of the Board, it is not considered appropriate for the Company to have set targets in relation to diversity; candidates will be assessed in relation to the relevant needs of the Company at the time of appointment. Once a decision is made to recruit additional Directors to the Board, a formal job description is drawn up. The Company may use external agencies as and when the requirement to recruit an additional Board member becomes necessary.

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

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

Committees of the Board

The Nomination and Remuneration Committees were disbanded during the year as the Board feel these Committees are not relevant to a wholly non-executive Board. The full Board now undertakes the duties previously performed by these Committees. The Board has two remaining Committees: the Audit Committee and the Management Engagement Committee. The terms of reference for these Committees are available on the website **www.hendersoneuropeanfocus.com** or via the Corporate Secretary.

Audit Committee

The Audit Committee comprises all of the Directors and is chaired by Alexander Comba, who is a chartered accountant. The other Audit Committee members have a combination of financial, investment and other experience gained throughout their careers and the Board is satisfied that at least one of the Committee's members has recent and relevant financial experience. All members of the Audit Committee are independent. The Report of the Audit Committee, which forms part of this Corporate Governance Statement, can be found on pages 29 and 30.

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.

Corporate Governance Statement (continued)

The Committee met in November 2015 to carry out its annual review of Henderson, the results of which are detailed below.

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 January 2015.

	Board	Audit Committee	Management Engagement Committee
Number of meetings	**5**	**3**	**1**
Rodney Dennis	5	3	1
Alexander Comba	5	3	1
Alain Dromer	5	3	1
Michael Firth	5	3	1

The Directors and committees of the Board also met during the year to undertake business such as the approval of the Company's results, dividends, the issue of shares and ad hoc matters.

Performance evaluation

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

Internal controls

The Board has established an ongoing process for identifying, evaluating and managing any major risks faced by the Company (see principal risks and uncertainties on page 14). The process accords with Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the FRC in September 2014 and is subject to regular review by the Board. The Board has overall responsibility for the Company's system of internal controls and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has reviewed the effectiveness of the Company's system of internal controls for the year ended 30 September 2015. During the course of its review the Board has not identified or been advised of any failings or weaknesses that have been determined as significant. All business risks faced by the Company are recorded in a risk map which is reviewed periodically.

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

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

Accountability and relationship with Henderson

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 22, the Independent Auditor's Report on pages 31 and 32 and the statement of going concern on page 37.

The Board has delegated contractually to external third parties, including Henderson, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets which is delegated through the appointment of the depositary as explained on page 17), the day-to-day accounting, company secretarial and administration requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

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

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

Corporate Governance Statement (continued)

process that allows any Director's concerns to be recorded in the minutes. The Board and Henderson operate in a supportive, co-operative and open environment.

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

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

Continued appointment of Henderson

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

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

The Board remains satisfied with investment performance and, in particular the experience, skills and commitment of the Fund Manager. It is the Directors' opinion that the continuing appointment of Henderson on the existing terms is in the interests of the Company and its shareholders as a whole.

Share capital

Please see the Report of the Directors on page 20.

Relations with shareholders

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with its shareholders is through the half year results and Annual Report which aim to provide shareholders with a clear understanding of the Company's activities and their results. This information is supplemented by the daily calculation and publication of the NAV per ordinary share to a regulatory information service and a monthly fact sheet which is available on the website. Henderson also provides information on the Company and Fund Manager videos on the website, via various social media channels and through its HGi content platform, more details of which are included on page 13. The Board has met with representatives of some of the larger shareholders over the course of the year and has valued the feedback on the Company provided.

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

During the year the Company used the authority granted by shareholders to call a general meeting at short notice. The general meeting was convened to seek authority to issue further shares without rights of pre-emption applying which the Board wanted to be considered as quickly as possible in order to allow it to properly manage the premium at which the Company's shares trade to NAV per ordinary share.

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

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
8 December 2015

Report of The Audit Committee

The Chairman of the Audit Committee, Alexander Comba, reports on the year to 30 September 2015

Meetings

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

Role and responsibilities

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

- consideration of the appropriateness of the Company's accounting policies;
- a review of the half year results and the Annual Report, including the disclosures made therein in relation to internal controls and risk management, viability, going concern and related parties and consideration of whether the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy in order to make recommendations to the Board. In assessing whether the report is fair, balanced and understandable, each director reviewed the disclosures made, applying their respective knowledge and expertise. The internal controls over financial reporting were also considered, together with feedback from the Company's auditor, Henderson and the Corporate Secretary;
- consideration of the quality and effectiveness of the accounting records and management information maintained on behalf of the Company, relying on meetings with and reports from Henderson;
- consideration of the appropriate level of dividend to be paid by the Company for recommendation to the Board;
- consideration of the internal controls in place at Henderson and BNP as administrator and Henderson's policies in relation to cyber risk and business continuity, meeting with representatives of Henderson's internal audit and risk departments periodically;
- consideration of the performance fee calculation;
- consideration of the key risks, risk management systems in place and the Company's risk map;
- consideration of the Company's anti-bribery policy;
- consideration of the nature and scope of the external audit and the findings therefrom;
- consideration of whether there is a need for an internal audit function in order to make a recommendation to the Board (as described on page 27);
- consideration of the appointment of the auditor, its effectiveness and its performance and remuneration (see page 30);
- consideration of the auditor's independence and objectivity and the provision of any non-audit services (as explained further on page 30) and the reporting of the external auditor; and
- consideration of the whistle blowing policy that Henderson has put in place for its staff to raise concerns about possible improprieties, including in relation to the Company, in confidence. The policy includes the necessary arrangements for independent investigation and follow up action.

Annual report for the year ended 30 September 2015

In relation to the Annual Report for the year ended 30 September 2015 the following significant issues were considered by the Committee:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. Ownership of listed investments is verified by reconciliation to the custodian's records.
Recognition of income	Income received is accounted for in line with the Company's accounting policies (as set out on page 37) and is reviewed by the Committee at each meeting.
Compliance with Section 1158 of the Corporation Tax Act 2010	The Committee regularly considers the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times, receiving supporting documentation from Henderson and BNP.

Report of The Audit Committee (continued)

Significant issue	How the issue was addressed
Maintaining internal controls	The Committee receives regular reports on internal controls from BNP, HSBC and Henderson and its delegates and has access to the relevant personnel of Henderson who have a responsibility for risk management and internal audit.
Performance fee	The calculation of the performance fee payable to Henderson is reviewed by the Committee before being approved by the Board.

Policy on non-audit services

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

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

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

Auditor's appointment

Ernst & Young LLP ("EY") were appointed as auditor on 25 July 2014. EY have not been engaged to provide any non-audit services up to the date of this report. The Audit Committee remains satisfied with the effectiveness of the audit provided and that EY is independent of the Company and recommend their re-appointment by shareholders. Accordingly, resolutions to confirm the re-appointment of EY as auditor to the Company and to authorise the Directors to determine their remuneration will be proposed at the annual general meeting.

As a Public Interest Entity listed on the London Stock Exchange, the Company is subject to the mandatory rotation requirements of the European Union. Subject to the detailed implementation of the EU regulation in the UK, this is likely to mean that the Company will be required to put its audit contract out to tender at least every 10 years and change auditor at least every 20 years. The auditor is required to rotate partners every five years and this is the second year the the current partner has been in place.

Fees paid or payable to the auditor are detailed in note 6 on page 40.

For and on behalf of the Board

Alexander Comba
Audit Committee Chairman
8 December 2015

Independent Auditor's Report to The Members of Henderson European Focus Trust plc

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2015 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

We have audited the financial statements of Henderson European Focus Trust plc for the year ended 30 September 2015 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

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

Our assessment of risks of material misstatement

We identified the following risks of material misstatement that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team:

- performance fee is not calculated correctly in accordance with the investment management agreement;
- incorrect valuation of the investment portfolio, including the incorrect application of exchange rates movements and assessment of stock liquidity;
- misappropriation of the Company's assets and unsecured ownership of investments; and
- incomplete or inaccurate income recognition through failure to recognise proper income entitlements.

Our application of materiality

We determined planning materiality for the Company to be £1.95 million which is 1% of total equity. This provided a basis for determining the nature, timing and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 50% of planning materiality, namely £975,000. Our objective in adopting this approach was to ensure that total detected and undetected audit differences in all accounts did not exceed our planning materiality level.

Given the importance of the distinction between revenue and capital for the Company we have also applied a separate performance materiality of £245,000 for the Income Statement, being 5% of the return on ordinary activities before taxation.

We have reported to the Audit Committee all audit differences in excess of £97,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Independent Auditor's Report to The Members of Henderson European Focus Trust plc (continued)

An overview of the scope of our audit

Our response to the risks identified above was as follows:

- we re-performed the performance fee calculation for the year to confirm it was correctly calculated in accordance with the investment management agreement;
- we agreed 100% of the year end prices for the Company's investments to an independent source;
- we obtained independent confirmation from the custodian of the investment portfolio and cash balances, agreeing them to the books and records; and
- we tested on a sample basis the completeness and accuracy of income receipts and confirmed that income was recorded in accordance with the Company's accounting policy for revenue recognition.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

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

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

In addition we have not identified anything material to add or to draw attention to in relation to:

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

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

- 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
- the Company's financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 37, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the 10 provisions of the UK Corporate Governance Code specified for our review.

Matthew Price (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor
London
8 December 2015

Income Statement

Notes		Year ended 30 September 2015 Revenue return £'000	Year ended 30 September 2015 Capital return £'000	Year ended 30 September 2015 Total return £'000	Year ended 30 September 2014 Revenue return £'000	Year ended 30 September 2014 Capital return £'000	Year ended 30 September 2014 Total return £'000
2	Gains on investments held at fair value through profit or loss	–	4,035	4,035	–	18,599	18,599
	Exchange gain on currency transactions	–	2,176	2,176	–	1,178	1,178
3	Income from investments	5,786	–	5,786	5,149	–	5,149
4	Other income	40	–	40	2	–	2
	Gross revenue and capital gains	**5,826**	**6,211**	**12,037**	**5,151**	**19,777**	**24,928**
5	Management fee	(308)	(923)	(1,231)	(267)	(800)	(1,067)
5	Performance fee	–	(1,300)	(1,300)	–	(1,171)	(1,171)
6	Other fees and expenses	(467)	(450)	(917)	(384)	(261)	(645)
	Net return on ordinary activities before finance charges and taxation	**5,051**	**3,538**	**8,589**	**4,500**	**17,545**	**22,045**
7	Finance charges	(162)	(485)	(647)	(131)	(394)	(525)
	Net return on ordinary activities before taxation	**4,889**	**3,053**	**7,942**	**4,369**	**17,151**	**21,520**
8	Taxation on net return on ordinary activities	(483)	–	(483)	(510)	–	(510)
	Net return on ordinary activities after taxation	**4,406**	**3,053**	**7,459**	**3,859**	**17,151**	**21,010**
9	Return per ordinary share (pence)	23.59p	16.35p	39.94p	22.14p	98.38p	120.52p

The total columns of this statement represent the Income Statement of the Company. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. All revenue and capital items in the above statement derive from continuing operations. The Company had no recognised gains or losses other than those disclosed in the Income Statement.

The notes on pages 37 to 49 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

Notes	Year ended 30 September 2015	Called up share capital £'000	Special distributable reserve £'000	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
	At 30 September 2014	9,102	24,833	3,796	61,344	9,421	51,574	10,918	170,988
	Net return on ordinary activities after taxation	–	–	–	–	–	3,053	4,406	7,459
	Shares sold from treasury	–	1,013	857	–	–	–	–	1,870
	Issue of new ordinary shares	894	–	18,287	–	–	–	–	19,181
	Tap share issue expenses	–	–	(120)	–	–	–	–	(120)
10	Ordinary dividend paid	–	–	–	–	–	–	(4,464)	(4,464)
	At 30 September 2015	**9,996**	**25,846**	**22,820**	**61,344**	**9,421**	**54,627**	**10,860**	**194,914**
Notes	**Year ended 30 September 2014**	**Called up share capital £'000**	**Special distributable reserve £'000**	**Share premium account £'000**	**Merger reserve £'000**	**Capital redemption reserve £'000**	**Capital reserve £'000**	**Revenue reserve £'000**	**Total £'000**
	At 30 September 2013	9,102	19,749	–	61,344	9,421	34,423	11,723	145,762
	Net return on ordinary activities after taxation	–	–	–	–	–	17,151	3,859	21,010
	Shares sold from treasury	–	5,084	3,796	–	–	–	–	8,880
10	Ordinary dividend paid	–	–	–	–	–	–	(4,664)	(4,664)
	At 30 September 2014	**9,102**	**24,833**	**3,796**	**61,344**	**9,421**	**51,574**	**10,918**	**170,988**

The notes on pages 37 to 49 form part of these financial statements.

Balance Sheet

Notes		At 30 September 2015 £'000	At 30 September 2014 £'000
	Fixed assets		
11	Investments held at fair value through profit or loss	212,338	184,019
	Current assets		
12	Debtors	304	3,066
	Cash at bank	25,039	17,943
		25,343	**21,009**
13	**Creditors:** amounts falling due within one year	(42,767)	(34,040)
	Net current liabilities	**(17,424)**	**(13,031)**
	Net assets	**194,914**	**170,988**
	Capital and reserves		
15	Called up share capital	9,996	9,102
16	Special distributable reserve	25,846	24,833
17	Share premium account	22,820	3,796
18	Merger reserve	61,344	61,344
19	Capital redemption reserve	9,421	9,421
20	Capital reserve	54,627	51,574
21	Revenue reserve	10,860	10,918
	Shareholders' funds	**194,914**	**170,988**
22	Net asset value per ordinary share	981.90p	956.66p

These financial statements were approved and authorised for issue by the Board of Directors on 8 December 2015 and signed on its behalf by:

Alexander Comba
Director

The notes on pages 37 to 49 form part of these financial statements.

Cash Flow Statement

Notes		Year ended 30 September 2015 £'000	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2014 £'000
24	**Net cash inflow from operating activities**		**1,728**		**3,196**
	Servicing of finance				
	Interest paid	(621)		(509)	
	Net cash outflow from servicing of finance		**(621)**		**(509)**
	Financial investment				
	Purchases of investments	(275,001)		(228,139)	
	Sales of investments	254,949		223,806	
	Net cash outflow from financial investment		**(20,052)**		**(4,333)**
	Equity dividend paid		(4,464)		(4,664)
	Net cash outflow before financing		**(23,409)**		**(6,310)**
	Financing				
	Shares issued from treasury	1,870		8,880	
	Issue of new ordinary shares	19,181		–	
	Net cash inflow from financing		21,051		8,880
	(Increase)/decrease in borrowings		**(2,358)**		**2,570**
	Reconciliation of net cash flow to movement in net debt				
	(Increase)/decrease in borrowings as above		(2,358)		2,570
	Exchange movements		2,176		1,178
	Movement in net debt		**(182)**		**3,748**
	Net debt at 1 October		(13,110)		(16,858)
25	**Net debt at 30 September**		**(13,292)**		**(13,110)**

The notes on pages 37 to 49 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

a) Basis of preparation

The financial statements have been prepared on a going concern basis and under the historical cost basis of accounting, modified to include the revaluation of investments at fair value. The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice (the "SORP") for investment trusts and venture capital trusts issued by the Association of Investment Companies (the "AIC") in January 2009. All of the Company's operations are of a continuing nature. In the opinion of the Directors, the Company is engaged in a single segment business and therefore no segmental reporting is provided. The accounting policies applied for the year ended 30 September 2015 are unchanged from the previous year.

Having assessed the principal risks and the other matters discussed in connection with the viability statement, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

b) Valuation of investments held at fair value through profit or loss

The listed investments are designated at fair value through profit or loss, as the Company's investment portfolio is managed and its performance is evaluated on a fair value basis, in accordance with a documented investment strategy. Information about the portfolio is provided internally on that basis to the Company's Board. Fair value is deemed to be bid price or the last trade price depending on the convention of the exchange on which the investment is quoted.

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 on investments held at fair value through profit or loss". Expenses that are incidental to the acquisition of an investment are expensed through the Income Statement as a capital item. Expenses that are incidental to the disposal of an investment are deducted from the proceeds of the sale of the investment. All purchases and sales are accounted for on a trade date basis.

c) Derivative instruments

Where appropriate, certain permitted transactions involving derivative instruments are used. Derivative transactions into which the Company may enter include forward currency contracts, CFDs, futures and options, and are measured at fair value. The fair value is the quoted trade price for the contract.

Where such transactions are used to increase portfolio returns, if the circumstances support this, then the income and expenses derived from them are included in net derivative income via the revenue column of the Income Statement. Where such transactions are used to protect or enhance capital, if the circumstances support this, the gains and losses derived from them are included in gains/(losses) on derivative instruments held at fair value through profit or loss via the capital column of the Income Statement. Any positions on such transactions open at the year end are reflected in the Balance Sheet at their fair value within current assets and current liabilities.

d) Foreign currency

The results and financial position of the Company are expressed in sterling, which is the functional and presentational currency of the Company. Sterling is the functional currency because the Company is listed in the UK with a predominantly UK shareholder base.

Transactions recorded in overseas currencies during the year are translated into sterling at the appropriate daily exchange rates. Monetary assets and liabilities and equity investments held at fair value through profit or loss which are denominated in foreign currencies at the balance sheet date are translated into sterling at the exchange rates ruling at that date.

Any gains or losses on the translation of foreign currency balances, whether realised or unrealised, are taken to the capital or to the revenue return of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature.

e) Income

Dividends receivable from equity shares are taken to the revenue return on an ex-dividend basis except where, in the opinion of Directors, the dividend is capital in nature in which case it is taken to the capital return. Income from fixed interest debt securities and preference shares is recognised using the effective interest rate method in accordance with the SORP. 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.

Bank interest is accounted for on an accruals basis.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

f) Management and administrative expenses and finance charges

All expenses and finance charges are accounted for on an accruals basis. The annual management fee and borrowing interest charges are allocated 75% to capital and 25% to revenue in line with the Board's expected long-term split of returns in the form of capital and income profits respectively.

In accordance with the SORP, tax relief, if applicable, is credited in respect of such allocations between capital and revenue using the marginal method.

In accordance with the SORP, the performance-related fee (when payable) is allocated 100% to capital, together with any tax relief in respect of such allocations, as the fee is based on outperformance against the Company's benchmark index. The FTSE World Europe ex UK Index on a total return basis in sterling terms is used as the "benchmark" against which performance is measured.

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 the effective tax rate of corporation tax for the accounting period.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the 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 to the capital return column.

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet 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 balance sheet date. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

h) Borrowings

Interest bearing bank loans and overdrafts are recorded initially at fair value, being the proceeds received, less direct issue costs. Finance charges, including interest payable, premiums 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 and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

i) Dividends payable to shareholders

Dividends payable to shareholders are recognised in the financial statements when they are paid, or in the case of final dividends, when they are approved by shareholders. Dividends are dealt with in the Reconciliation of Movements in Shareholders' Funds.

j) Issue and repurchase of ordinary shares and associated costs

The costs of repurchasing ordinary shares, including related stamp duty and transaction costs, are taken directly to equity and reported through the Reconciliation of Movement in Shareholders' Funds, with the cost of the repurchase being charged to a capital or special distributable reserve. Share repurchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of called-up share capital and into the capital redemption reserve, in accordance with Section 733 of the Companies Act 2006. Where shares are repurchased and held in treasury, the transfer to the capital redemption reserve is made if and when such shares are subsequently cancelled.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

k) Capital reserve

The following are accounted for in this reserve:

- gains and losses on disposals of investments;
- realised foreign exchange differences of a capital nature;
- cost of repurchasing ordinary share capital;
- other capital charges and credits charged to this account in accordance with the above policies;
- increases and decreases in the valuation of investments held at the year end; and
- unrealised foreign exchange differences of a capital nature.

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

	2015 £'000	2014 £'000
Gains on the sale of investments based on historical cost	9,963	21,807
Revaluation gains recognised in previous years	(3,230)	(10,103)
Gains on investments sold in the year based on carrying value at previous balance sheet date	**6,733**	**11,704**
Revaluation (losses)/gains on investments held at 30 September	(2,698)	6,895
Gains on investments held at fair value through profit or loss	**4,035**	**18,599**

Where deemed appropriate, the use of certain permitted derivative instruments, that may include futures and options, CFDs and forward currency contracts is made for efficient portfolio management purposes. Derivative instruments were not used in the year under review.

3 Income from investments

	2015 £'000	2014 £'000
Listed investments:		
Overseas dividends	5,340	4,840
Franked UK dividends	428	224
Stock dividends	18	85
	5,786	**5,149**

4 Other income

	2015 £'000	2014 £'000
Deposit interest	40	2

5 Management and performance fees

	2015			2014		
	Income £'000	Capital £'000	Total £'000	Income £'000	Capital £'000	Total £'000
Management fee	308	923	1,231	267	800	1,067
Performance fee	–	1,300	1,300	–	1,171	1,171
	308	**2,223**	**2,531**	**267**	**1,971**	**2,238**

A description of the basis for calculating the management fee is given in the Strategic Report on page 4.

Management fees are allocated 25% to revenue and 75% to capital in the Income Statement. The performance fee (when payable) is allocated 100% to capital.

Notes to the Financial Statements (continued)

6 Other expenses

	2015 £'000	2014 £'000
Revenue:		
Directors' fees (see Directors' Remuneration Report on pages 22 to 23)	103	106
Fees payable to the Company's auditor	26	25
AIC subscriptions	18	14
Directors' and Officers liability insurance	6	7
Listing fees	44	17
Depositary charges[1]	48	–
Custody charges	38	36
Printing and postage	18	23
Other expenses payable to the management company[2]	58	63
Registrar's fees	49	41
Legal and professional fees	39	35
Other expenses	20	17
	467	**384**
Capital:		
Transaction costs incurred on acquisitions of investments	450	261
	917	**645**

1 Depositary appointed on 22 July 2014 to meet the requirements of the Alternative Investment Fund Managers Directive
2 Other expenses payable to the management company relate to sales and marketing services

7 Finance charges

	2015			2014		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
On bank overdrafts repayable within one year	162	485	647	131	394	525

Interest payable is allocated 25% to revenue and 75% to capital in the Income Statement.

8 Taxation

a) Analysis of charge for the year

	2015			2014		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Overseas tax suffered	483	–	483	510	–	510
Total taxation for the year	**483**	**–**	**483**	**510**	**–**	**510**

b) Factors affecting the tax charge for the year

	2015			2014		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Return on ordinary activities before taxation	**4,889**	**3,053**	**7,942**	**4,369**	**17,151**	**21,520**
Corporation tax at 20.5% (2014: 22.0%)	1,002	626	1,628	961	3,773	4,734
Effects of:						
Non-taxable capital profits	–	(1,181)	(1,181)	–	(4,293)	(4,293)
Non-taxable income	(1,175)	–	(1,175)	(1,111)	–	(1,111)
Write-off of withholding tax	–	–	–	42	–	42
Current year expenses not utilised	173	555	728	150	520	670
Overseas tax	483	–	483	468	–	468
	483	**–**	**483**	**510**	**–**	**510**

Investment trusts are exempt from corporation tax on capital gains provided that they meet the tests under Section 1158 of the Corporation Tax Act 2010.

Notes to the Financial Statements (continued)

8 Taxation (continued)

Due to the Company's status as an investment trust and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

The Company has not recognised a deferred tax asset totalling £2,357,000 (2014: £1,647,000) arising as a result of having unutilised management expenses and unutilised non-trade loan relationship deficits. These expenses will only be utilised if the Company has profits chargeable to corporation tax in the future.

The tax assessed for the year ended 30 September 2015 is lower than the effective rate of corporation tax of 20.50% (2014: 22.00%)

9 Return per ordinary share

The return per ordinary share is based on the net return attributable to the ordinary shares of £7,459,000 (2014: net return of £21,010,000) and on 18,676,353 ordinary shares (2014: 17,433,197), being the weighted average number of ordinary shares in issue during the year. The return per ordinary share can be further analysed between revenue and capital, as below.

	2015 £'000	2014 £'000
Net revenue return	4,406	3,859
Net capital return	3,053	17,151
Net total return	**7,459**	**21,010**
Weighted average number of ordinary shares in issue during the year	18,676,353	17,433,197
Revenue return per ordinary share	23.59p	22.14p
Capital return per ordinary share	16.35p	98.38p
Total return per ordinary share	**39.94p**	**120.52p**

The Company does not have any dilutive securities, therefore the basic and diluted returns per ordinary share are the same.

10 Dividends paid and proposed on the ordinary shares

Dividends on ordinary shares	Record date	Payment date	2015 £'000	2014 £'000
Interim dividend (21.30p) for the year ended 30 September 2013[1]	13 December 2013	31 December 2013	–	3,604
Interim dividend (6.00p) for the year ended 30 September 2014	30 May 2014	30 June 2014	–	1,060
Final dividend (17.45p) for the year ended 30 September 2014	5 January 2015	6 February 2015	3,132	–
Interim dividend (7.00p) for the year ended 30 September 2015	29 May 2015	30 June 2015	1,332	–
			4,464	**4,664**

1 For the year ended 30 September 2014, the Board amended its policy from paying one interim dividend to paying an interim dividend part way through the year and recommending a final dividend after the year end

The final dividend for the year ended 30 September 2015 has not been included as a liability in these financial statements. The total dividend payable in respect of the financial year, which forms the basis of the retention test under Section 1158 of the Corporation Tax Act, is set out below.

	2015 £'000	2014 £'000
Revenue available for distribution by way of dividend for the year	4,406	3,859
Interim dividend (7.00p) for the year ended 30 September 2015 (based on 19,034,419 ordinary shares in issue at 29 May 2015)	(1,332)	–
Final dividend (17.65p) for the year ended 30 September 2015 (based on 20,400,761 ordinary shares in issue at 3 December 2015)	(3,601)	–
Interim dividend (6.00p) for the year ended 30 September 2014 (based on 17,688,419 ordinary shares in issue at 30 May 2014)	–	(1,060)
Final dividend (17.45p) for the year ended 30 September 2014 (based on 17,873,419 ordinary shares in issue at 30 November 2014)	–	(3,119)
Undistributed revenue for Section 1158 purposes	**(527)**	**(320)**

The Company's undistributed revenue is negative and therefore there is negative retention because part of the dividend has been paid from historic distributable reserves.

Notes to the Financial Statements (continued)

11 Investments held at fair value through profit or loss

	2015 £'000	2014 £'000
Cost at 1 October	166,061	143,043
Additions at cost (excluding transaction costs)	276,463	227,810
Proceeds of disposal (net of transaction costs)	(252,180)	(226,599)
Realised gains on disposals	9,963	21,807
Cost at 30 September	**200,307**	**166,061**
Investment holding gains at 30 September	12,031	17,958
Valuation at 30 September	**212,338**	**184,019**

The Company's investments are registered in the name of nominees of, and held to the order of, HSBC Bank plc, as custodian to the Company. There were no contingent liabilities in respect of the investments held at the year end.

Purchase transaction costs for the year ended 30 September 2015 were £450,000 (2014: £261,000). These comprise mainly stamp duty and commission. Sale transaction costs for the year ended 30 September 2015 were £154,000 (2014: £158,000).

12 Debtors

	2015 £'000	2014 £'000
Amounts receivable within one year:		
Investments sold awaiting settlement	24	2,793
Accrued income	–	18
Prepaid expenses	13	13
Overseas withholding tax recoverable	267	242
	304	**3,066**

13 Creditors

	2015 £'000	2014 £'000
Amounts payable within one year:		
Investments purchased awaiting settlement	2,485	1,041
Accrued expenses and interest	1,951	1,946
Bank overdraft	38,331	31,053
	42,767	**34,040**

The Company has an uncommitted, secured multi-currency overdraft facility equal to the lesser of £46,800,000 and 25% of custody assets with HSBC Bank plc. Interest is charged at the bank's fluctuating base rate, plus a margin of 1.25% per annum. Borrowings are repayable on demand.

Notes to the Financial Statements (continued)

14 Financial risk management policies and procedures

As an investment trust, the Company invests in equities and other investments for the long term so as to secure its investment objective and policy as stated on page 4. In pursuing its investment objective and policy, 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), credit risk, liquidity risk and gearing, and the Directors' approach to the management of these risks, are set out below and have not changed from the previous accounting period. The Board and Henderson coordinate the Company's risk management and there are various risk management systems in place as detailed below.

- Straight-through processing via a deal order and management system ("OMS") is utilised for listed securities, exchange-traded derivatives and OTC derivatives contracts with connectivity to third-party affirmation and trade repository services.
- Portfolio modelling and investment management functions (including order-raising, dealing and trade execution) are performed using one of, or a combination of, the following third-party software applications: Charles River Development OMS and/or Imagine.
- Fund pricing and accounting services are outsourced to a third-party administrator (currently BNP Paribas Securities Services ("BNP")) which utilises HiPortfolio software.
- The IT tools to which the Henderson risk, compliance and operations teams have access for independent monitoring and risk measurement purposes include:
  – Charles River Compliance module for investment restrictions monitoring;
  – Arc Logics operational risk database;
  – Riskmetrics, UBS Delta, Style Research, Finanalytica and Barra Aegis for market risk measurement;
  – Bloomberg for market data and price-checking; and
  – HiPortfolio for portfolio holdings and valuations.

These are supplemented by in-house systems: derivatives risk and compliance database ("DRAC") and counterparty exposure ("CER") reports.

14.1 Market risk

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

14.1.1 Market price risk

The Company is an investment company and as such its performance is dependant on the valuation of its investments. Consequently, market price risk is the most significant risk to which the Company is exposed. The Company's investment objective and policy require it to invest mainly in listed Continental European stocks.

At 30 September 2015 the fair value of the Company's assets exposed to market price risk was £212,338,000 (2014: £184,019,000). The fair value of the investments in the portfolio is normally their bid-market price. The market price of investee companies' shares is subject to their performance, supply and demand for the shares and investor sentiment regarding the companies, their industry sectors and the countries in which they operate. The 15% rise in the value of assets exposed to market risk was attributable to the increase in the market prices of investments, the increase in the overdraft which has been invested and the issue of ordinary shares by the Company.

The Company invests in a diversified portfolio of investments. In accordance with the Company's investment objective and policy the portfolio contains between 50 and 60 stocks, with a maximum single stock weighting of 10% of total assets at the time of investment. Stocks weighted at 5% of the portfolio or more will not exceed 40% of the NAV in aggregate. The minimum stock weight is typically 1% of NAV at the time of investment. The largest individual stock at the year end represented 7.1% (2014: 8.4%) of the value of the portfolio. The Company may use derivative instruments (such as futures and options) for the purpose of efficient portfolio management up to 10% of net assets. As at 30 September 2015 the Company had no exposure to such instruments.

Notes to the Financial Statements (continued)

14 Financial risk management policies and procedures (continued)

14.1.1 Market price risk (continued)

The level of risk relative to the Benchmark Index is increased by over or underweighting industry sectors and, to a lesser extent, country exposures and stock exposures relative to the Benchmark Index, which tends to concentrate risk in those over and underweighted areas. As can be seen from the chart on page 7 the largest industry sector weighting variances at the year end were in the financials, consumer goods, oil & gas and technology (underweight) and health care (overweight) sectors. These weightings reflect the strategy outlined in the Fund Manager's Report on pages 8 and 9.

To illustrate the Company's sensitivity to market prices, a 10% change to the market value (in sterling terms) of the equity portfolio at 30 September 2015 would generate a corresponding increase or decrease in the NAV per ordinary share of 10.9% or £21.2 million.

14.1.2 Currency risk

The majority of the Company's assets are denominated in currencies other than sterling so the Company's total return and Balance Sheet can be significantly affected by currency fluctuations. No hedging of the currency exposure is undertaken. Revenue received in currencies other than sterling is converted into sterling on, or shortly after, the date of receipt. Whilst the Board and Henderson monitor geographical and currency exposure it is not a key determinant of investment decisions. At the year end 98.1% (2014: 101.3%) of the Company's net assets were denominated in currencies other than sterling, the largest proportion being euro, at 68.0% (2014: 68.5%) of net assets.

The table below shows, by currency, the split of the Company's non-sterling assets and liabilities at the year end:

	2015 £'000	2014 £'000
Monetary assets (net)		
Cash and short-term receivables:		
Euro	19,578	15,021
Swiss franc	192	171
Monetary liabilities		
Bank overdraft and short-term payables		
Euro	(2,485)	(1,041)
Swiss franc	(6,527)	(3,160)
Swedish krona	(20,279)	(12,793)
Danish krone	(5,706)	(7,048)
Norwegian krone	(5,871)	(1,992)
Non-monetary assets		
Non-current asset investments held at fair value:		
Euro	115,451	103,102
Swiss franc	43,819	39,604
Swedish krona	30,954	22,590
Norwegian krone	8,446	5,090
Danish krone	13,668	13,633
Total	**191,240**	**173,177**

The level of assets exposed to currency risk increased by approximately 10% during the year. In common with the exposure to market price risk, this was mainly attributable to increases in the market prices of investments held, the increase in the overdraft which has been invested and the issue of ordinary shares by the Company. Subject to this the relative levels of exposure to currencies at the beginning and end of the year were broadly representative of levels through the period.

Notes to the Financial Statements (continued)

14 Financial risk management policies and procedures (continued)

14.1.2 Currency risk (continued)

As can be seen from the table on page 44, the most significant currency exposures are to the euro and Swiss franc. Over the financial year to 30 September 2015, sterling appreciated by 5.7% against the euro (2014: depreciated by 7.3%) and depreciated by 4.4% against the Swiss franc (2014: depreciated by 5.8%). It is not possible to forecast how much exchange rates might move in the next financial year, but based on the movements in the above two major currencies over the last two years, it appears reasonably possible that rates could change by 10%.

The following table illustrates the Company's sensitivity to movements in exchange rates relative to sterling. The sensitivity analysis is based on the Company's non-sterling assets held at the balance sheet date and assumes a 10% appreciation or depreciation of sterling against each of the currencies to which the Company is exposed, with all other variables held constant. A 10% appreciation of sterling would reduce the value of net assets by approximately 9.0% or £17.6 million (2014: 9.1% or £15.7 million). Revenue return for the forthcoming year would be reduced by £505,000 (2014: £468,000). The effect on capital return would be materially the same as the effect on net assets.

	2015		2014	
	Net assets £'000	Revenue £'000	Net assets £'000	Revenue £'000
Euro	12,049	224	10,645	229
Swiss franc	3,408	125	3,329	127
Other currencies	1,928	156	1,772	112
	17,385	**505**	**15,746**	**468**

It should be noted that a number of investee companies derive a proportion of their profits from markets subject to currencies other than that in which their shares are denominated, so changes in the relevant currency exchange rates relative to each other are also likely to have an indirect impact. Also, the above illustration is based on exposures at the year end. Exposures may be subject to change during the year as a result of investment decisions.

Liabilities denominated in foreign currencies at the year end and prior year relate to bank borrowings and investment transactions awaiting settlement. The balance outstanding at the year end was not material in the context of currency risk.

14.1.3 Interest rate risk

The Company finances part of its activities through the use of a secured uncommitted multi-currency overdraft facility provided by HSBC Bank plc equal to the lesser of £46,800,000 and 25% of custody assets. Interest rates are set at the time drawings are made based on the bank's base rate, plus a margin of 1.25% per annum. During the year, the maximum drawn under the facility was £40,733,000 (2014: £36,264,000) and the weighted average interest rate was 1.75% (2014: 1.75%). No hedging of the interest rate is undertaken. At 30 September 2015 there were drawings of £38,331,000 outstanding, of which £38,331,000 were in foreign currencies (2014: £31,053,000, of which £24,935,000 were in foreign currencies).

The Company earns interest on its cash and short-term deposits. Overdraft drawings and deposits are rarely fixed for periods of more than one week.

At 30 September 2015, financial assets and liabilities exposed to floating interest rates were as follows:

	2015 £'000	2014 £'000
Financial assets		
Cash balances	**25,039**	**17,943**
Financial liabilities		
Bank overdraft	(38,331)	(31,053)

The Company has no direct exposure to fixed interest rates.

The year end amounts are not representative of the exposure to interest rates either during the year just ended nor for the year ahead, since the level of borrowings and/or cash held will be affected by the strategy being followed in response to the Board's and Henderson's perception of market prospects and the investment opportunities available at any particular time. However, to illustrate the potential sensitivity to changes in interest rates, if £39 million was drawn from the uncommitted multi-currency overdraft facility (based on the 20% gearing limit set by the Board), a change of 0.5% in the rate of interest charged would, over the course of a year, amount to £195,000 (ignoring any exchange rate movements), which is approximately 0.1% of year end net assets.

Notes to the Financial Statements (continued)

14 Financial risk management policies and procedures (continued)

14.2 Credit risk

Credit risk is the Company's exposure to financial loss from failure of a counterparty to deliver securities or cash for acquisitions or disposals of investments or to repay deposits. The Company manages credit risk by using brokers from a database of approved financial institutions who have undergone rigorous due diligence tests by Henderson's risk management team and by dealing through Henderson with banks authorised by the Financial Conduct Authority.

At 30 September 2015, the maximum exposure to credit risk was £25,063,000 (2014: £20,736,000), comprising:

	2015 £'000	2014 £'000
Cash at bank	25,039	17,943
Investments sold awaiting settlement	24	2,793

All of the above financial assets are current, their fair values are considered to be the same as the values shown and the likelihood of default is considered to be low.

14.3 Liquidity risk

Liquidity risk is the possibility of the Company failing to realise sufficient assets to meet its financial obligations. The Company minimises this risk by having a bias to larger capitalised companies, by investing in listed companies and by ensuring that it has adequate cash and credit facilities in place to meet its obligations. The Company's liquidity is mostly held in euros, almost entirely in interest-bearing current accounts or short-term deposits in the money market. Deposits are rarely fixed for terms in excess of one week and, if amounts are substantial, are placed with different deposit takers so that, at any given time, deposits do not exceed €8,000,000 with any one deposit taker. Cash requirements are monitored on a regular basis by Henderson.

At 30 September 2015, the fair value of financial liabilities was £42,767,000 (2014: £34,040,000), comprising:

	2015 £'000	2014 £'000
Due within one month:		
Investments purchased awaiting settlement	2,485	1,041
Bank overdraft	38,331	31,053
Accrued expenses and interest	1,951	1,946

14.4 Gearing

Market risks can be amplified by gearing. As discussed above, in addition to using shareholders' funds to finance investments the Company can also invest funds available from drawings on its overdraft facility. Such gearing will exaggerate the effect on the NAV of a change in the value of the portfolio. If the Company's uncommitted multi-currency overdraft facility was extended to the level permitted by the Board the bank gearing would amount to 20% of net assets and in those circumstances a change of 10% in the value of the portfolio would be expected to change the NAV by approximately 12.0%.

As noted on page 45 in the interest rate risk section, the level of borrowings and/or cash held during the year will be affected by the strategy being followed in response to the Board's and Henderson's perception of market prospects and the investment opportunities available at any particular time.

At the year end there was gearing of 8.9% (2014: 7.7%).

Notes to the Financial Statements (continued)

14 Financial risk management policies and procedures (continued)

14.5 Fair value hierarchy

Under FRS 29 'Financial Instruments: Disclosures' the Company is required to classify fair value measurements using a fair value hierarchy that reflects the significance of these inputs used in making the measurements. The fair value hierarchy shall have the following levels:

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

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

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

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. Financial assets and liabilities measured at fair value are grouped into the fair value hierarchy at 30 September 2015 and the previous year as follows:

2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss:				
Quoted equities	212,338	–	–	212,338

2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss:				
Quoted equities	184,019	–	–	184,019

The fair value of the Company's investments in quoted equities has been determined by reference to their quoted bid prices at the reporting date. Quoted equities included in Level 1 are actively traded on recognised stock exchanges. Short term balances are excluded as their carrying value at the reporting date approximates to their fair value.

14.6 Capital management policies and procedures

The Company's capital management objectives are to ensure that it will be able to continue as a going concern and to maximise the revenue and capital return to its equity shareholders. This is achieved through an appropriate balance of equity capital and debt.

The Company's total capital at 30 September 2015 was of £233,245,000 (2014: £202,041,000) comprising equity share capital of £9,996,000 (2014: £9,102,000), reserves of £184,918,000 (2014: £161,886,000) and bank overdraft of £38,331,000 (2014: £31,053,000).

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

- the planned level of gearing, which takes into account Henderson's view on the market;
- the need to buy back equity shares, either for cancellation or to hold in treasury, which takes account of the difference between the NAV per ordinary share and the share price (i.e. the level of share price discount or premium) as well as the discount of the peer group and the level of the equity market;
- the need for new issues of equity shares, including sales from treasury; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company is subject to several externally imposed capital requirements:

- borrowings are not to exceed 25% of custody assets;
- 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 the capital restriction tests imposed on investment companies by company law.

The Company has complied with these requirements.

The Company's objectives, policies and procedures for managing capital are unchanged from last year.

Notes to the Financial Statements (continued)

15 Called up share capital

	2015 £'000	2014 £'000
Allotted, issued and fully paid		
19,850,761 (2014: 17,873,419) ordinary shares of 50p each	9,925	8,937
140,730 (2014: 330,730) ordinary shares of 50p each held in treasury	71	165
	9,996	**9,102**

During the year to 30 September 2015, the Company sold 190,000 (2014: 953,500) ordinary shares from treasury, with proceeds of £1,870,000 (2014: £8,880,000). The ordinary shares held in treasury have no voting rights and are not entitled to dividends. During the year to 30 September 2015, the Company issued 1,787,342 (2014: nil) new ordinary shares, with proceeds of £19,181,000 (2014: nil).

16 Special distributable reserve

	2015 £'000	2014 £'000
Balance brought forward	24,833	19,749
Shares sold from treasury	1,013	5,084
Balance at 30 September	**25,846**	**24,833**

The special distributable reserve was created on 11 July 2007 following the cancellation of the share premium account and the capital redemption reserve and is available to fund market purchases and the subsequent cancellation of own shares.

During the year 190,000 shares were sold from treasury with the proceeds split between the special distributable reserve (£1,013,000) and the share premium account (£857,000).

17 Share premium account

The share premium account represents the excess received subsequent to 11 July 2007 where treasury shares are sold for more than the Company paid to purchase the shares placed into treasury and the excess over the nominal value for new ordinary shares issued. The share premium account has increased during the year because of proceeds from shares being sold from treasury and new ordinary shares being issued, less the costs of issue.

18 Merger reserve

The merger reserve represents the premium over the nominal value of ordinary shares issued in March 1997 in connection with the acquisition of The German Investment Trust plc.

19 Capital redemption reserve

	2015 £'000	2014 £'000
Balance brought forward	9,421	9,421
Balance at 30 September	**9,421**	**9,421**

The capital redemption reserve represents the nominal value of ordinary shares repurchased and cancelled subsequent to 11 July 2007.

20 Capital reserve

	2015 £'000	2014 £'000
Balance brought forward	51,574	34,423
Gains on disposal of investments	6,733	11,704
Movement in fair value of investments	(2,698)	6,895
Exchange gains on currency transactions	2,176	1,178
Management fee allocated to capital	(923)	(800)
Performance fee allocated to capital	(1,300)	(1,171)
Interest payable allocated to capital	(485)	(394)
Transaction costs incurred on acquisitions of investments	(450)	(261)
Balance at 30 September	**54,627**	**51,574**

Notes to the Financial Statements (continued)

21 Revenue reserve

	2015 £'000	2014 £'000
Balance brought forward	10,918	11,723
Net revenue return for the year after tax	4,406	3,859
Dividends paid (note 10)	(4,464)	(4,664)
Balance at 30 September	**10,860**	**10,918**

The revenue reserve represents the amount of the Company's reserves which are distributable by way of dividend.

22 Net asset value per ordinary share

The NAV per ordinary share is based on the net assets attributable to the ordinary shares of £194,914,000 (2014: £170,988,000) and on 19,850,761 (2014: 17,873,419) shares in issue on 30 September 2015, excluding treasury shares.

23 Capital commitments and contingent liabilities

There were no capital commitments or contingent liabilities as at 30 September 2015 (2014: nil).

24 Reconciliation of return before finance costs and taxation to net cash inflow from operating activities

	2015 £'000	2014 £'000
Net return before finance costs and taxation	8,589	22,045
Stock dividends	(18)	(85)
Gains on investments held at fair value	(4,035)	(18,599)
Other currency gains	(2,176)	(1,178)
Decrease/(increase) in accrued income	18	(18)
(Increase)/decrease in prepayments and overseas withholding tax recoverable	(25)	165
(Decrease)/increase in accrued expenses (excluding interest)	(142)	1,376
Tax deducted at source from investment income	(483)	(510)
Net cash inflow from operating activities	**1,728**	**3,196**

25 Analysis of changes in debt

	At 30 September 2014 £'000	Cash flow £'000	Exchange gain £'000	At 30 September 2015 £'000
Cash at bank and held at broker	17,943	7,096	–	25,039
Bank overdraft	(31,053)	(9,454)	2,176	(38,331)
Net debt at 30 September	**(13,110)**	**(2,358)**	**2,176**	**(13,292)**

26 Transactions with the manager and related parties

Under the terms of an agreement effective from 22 July 2014 (which replaced the agreement dated 20 February 2012 in order to reflect the appointment of an Alternative Investment Fund Manager in accordance with the requirements of the Alternative Investment Fund Managers Directive), the Company has appointed Henderson to provide investment management, accounting, administrative and secretarial services. Henderson has contracted with BNP to provide accounting and administration services.

Details of the fee arrangements are given on page 4 in the Strategic Report. During the year £2,589,000 (including a performance fee of £1,300,000) was payable to Henderson for the provision of services to the Company (2014: £2,301,000, including a performance fee of £1,171,000). At the balance sheet date, management fees totalling £323,000 (2014: £550,000) and the performance fee of £1,300,000 (2014: £1,171,000) were accrued to be payable to Henderson.

Henderson also provides the Company with sales and marketing services. The total fee payable for these services for the year ended 30 September 2015 (including VAT) amounted to £58,000 (2014: £63,000). At 30 September 2015 £17,000 was outstanding (2014: £36,000).

General Shareholder Information

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

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 0371 384 2457. Specially trained operators are available during normal business hours to answer queries via this service. Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for Deaf People) dial 18001 followed by the number you wish to dial.

Non-mainstream pooled investments ("NMPI") status
The Company currently conducts its affairs so that its ordinary shares of 50p each can be recommended by IFAs to ordinary retail investors in accordance with the Financial Conduct Authority's ("FCA") rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

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

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

Performance details/share price information
Details of the Company's share price and NAV per ordinary share can be found on the website **www.hendersoneuropeanfocus.com**. The Company's NAV per ordinary share is published daily.

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

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

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

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

Alternative Investment Fund Managers Directive

Henderson and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a Key Investor Information Document ("KIID") which can be found on the Company's website **www.hendersoneuropeanfocus.com**. There have been no material changes to the disclosures contained within the KIID since publication in July 2014.

The periodic disclosures to investors are made below:

- information on the investment strategy, geographic and sector investment focus and principal stock exposures are included in the Strategic Report. A full list of portfolio holdings is included on page 10;

- none of the Company's assets are subject to special arrangements arising from their illiquid nature;

- the Strategic Report and note 14 to the accounts set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;

- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by Henderson; and

- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. Disclosures for the Company are required only after Henderson has undergone a full performance period under AIFMD and associated financial disclosures will be made from 2016 onwards.

Leverage

Although leverage is often used as another term for gearing, under the AIFMD regulations leverage is expressed as a ratio of the exposure of debt, non-sterling currency, equity or currency hedging and derivatives exposure against the net asset value ("NAV"). It defines two types of leverage, the gross method and the commitment method.

These are essentially the same other than the commitment method allows derivative instruments to be netted off to reflect "netting" or "hedging arrangements". Non-sterling cash is deemed to carry a currency exposure so is considered to be leverage. In accordance with the AIFMD the Company is obliged to disclose the maximum expected leverage levels under both methods and this is disclosed on page 52. In order to comply with the AIFMD the maximum leverage levels have been set in accordance with the maximum gearing allowable by the Company's articles of association. However, the day-to-day management of gearing and leverage levels will be conducted within the tighter limits set by the Company's investment policy.

Leverage may be applied to the portfolio by utilising financial gearing (such as bank borrowings and overdrafts) and synthetic gearing (through derivatives and/or other non-fully funded instruments or techniques for efficient portfolio management purposes such as stock-lending). Typically, leverage will arise through the use of index futures, forward foreign exchange contracts or contracts for difference, where cash is paid to the counterparty as a margin against the current mark-to-market value of the derivative contract; as a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may even result in further loss exceeding any margin deposited. The use of leverage therefore creates additional risks and may significantly increase the market and counterparty risk of the Company through non-fully funded exposure to underlying markets or securities.

Leverage is considered in terms of the Company's overall "exposure" to financial or synthetic gearing and includes any method by which the exposure of the Company is increased whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means. Henderson is required, in accordance with the AIFMD, to calculate and monitor the level of leverage of the Company, expressed as the ratio between the total exposure of the Company and its NAV with exposure values being calculated by both the gross method and commitment method.

Exposure values under the gross method basis are calculated as the absolute value of all positions in the portfolio; this includes all eligible assets and liabilities, relevant borrowings, derivatives (converted into their equivalent underlying positions) and all other positions, even those held purely for risk reduction purposes, such as forward foreign exchange contracts held for currency hedging.

The gross method of exposure of the Company requires the calculation to:

- include the sum of all non-derivative assets (if applicable) held at market value, plus the absolute value of all such liabilities;

- exclude cash and cash equivalents which are highly liquid investments held in the base currency of the Company, that are readily convertible to a known amount of cash, which are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three month high quality bond;

- include derivative instruments which are converted into the equivalent position in their underlying assets;

- exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;

- include exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed; and

Alternative Investment Fund Managers Directive
(continued)

- include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements as applicable.

Exposure values under the commitment method basis are calculated on a similar basis to the above, but may take into account the effect of netting off instruments to reflect eligible netting and hedging arrangements on eligible assets and different treatment of certain cash and cash equivalent items in line with regulatory requirements.

The calculation of leverage assumes that a leverage percentage of 100% equates to zero leverage. A percentage above 100% would mean that the portfolio had leverage equal to the percentage amount above 100%.

The table below sets out the current maximum permitted level and actual level of leverage for the Company:

	As a percentage of net assets	
	Gross method	Commitment method
Maximum level of leverage	275	275
Actual	119	122

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement.

Changes to the information contained either within this Annual Report or the KIID in relation to any special arrangements in place, the maximum level of leverage which Henderson may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

Henderson European Focus Trust plc
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