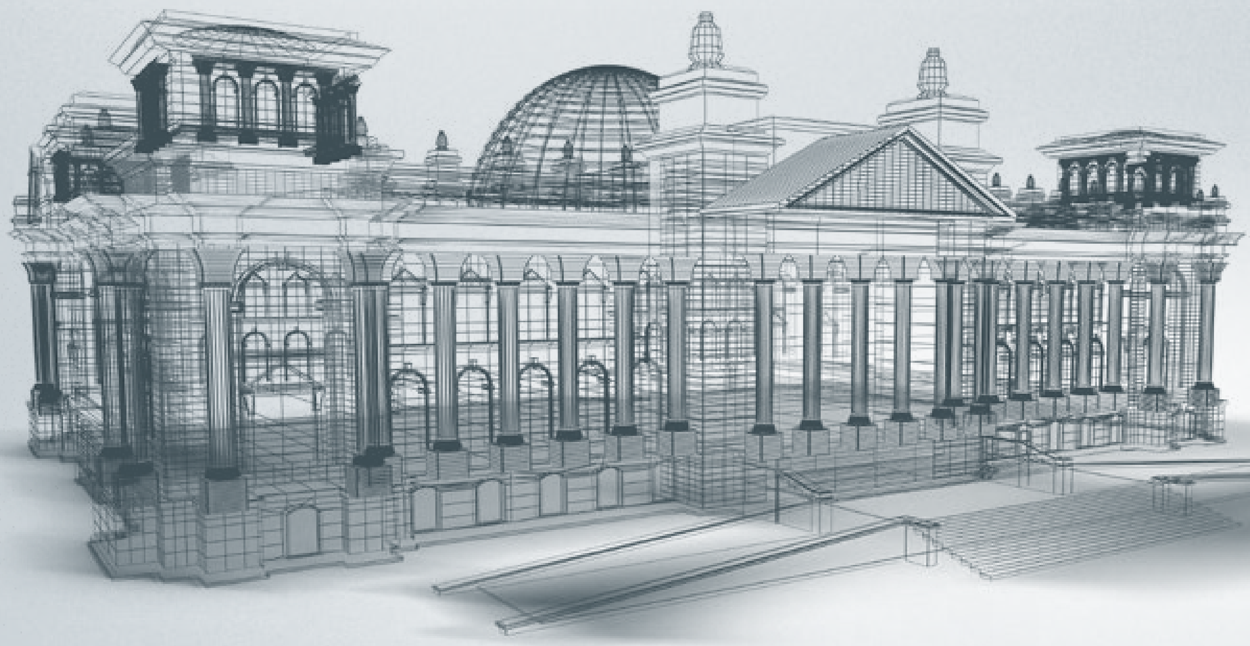
HENDERSON EUROPEAN FOCUS TRUST PLC

Annual Report 2017



MANAGED BY
Janus Henderson
INVESTORS

HGI9218/2017

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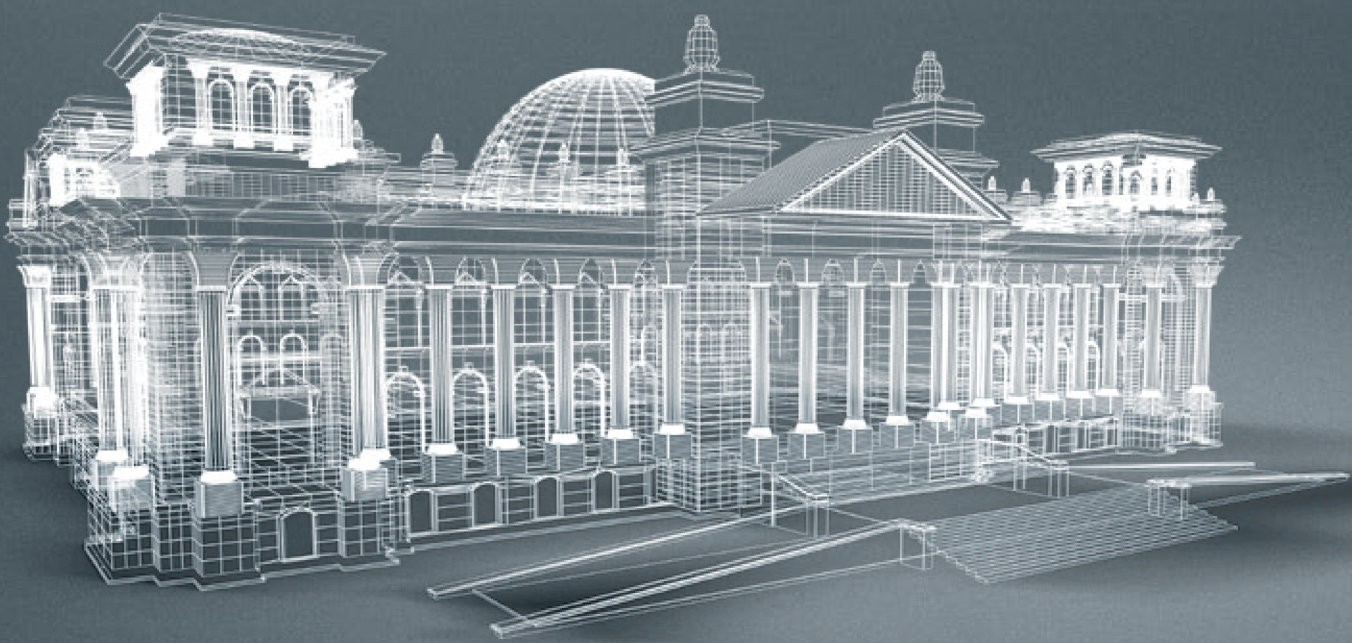
The image on the front cover is based on the Reichstag building, Berlin

Strategic Report

Investment Objective

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

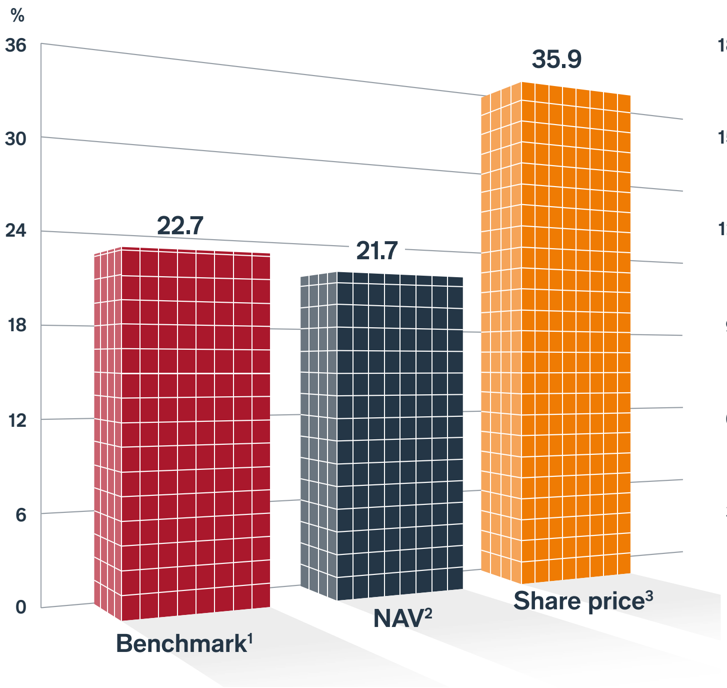


what Investment
Trust Awards 2017
Best Overseas Investment Trust
Henderson European Focus Trust

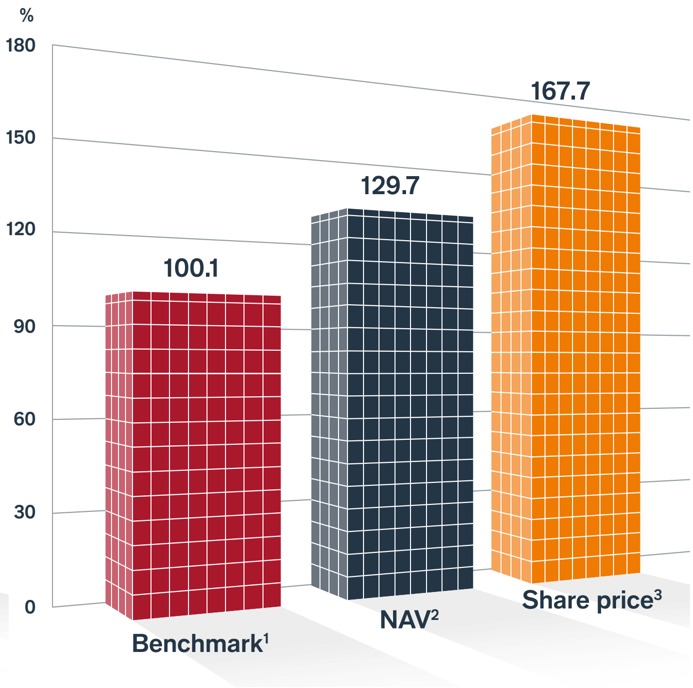
Strategic Report: Performance Highlights

Total return performance to 30 September 2017

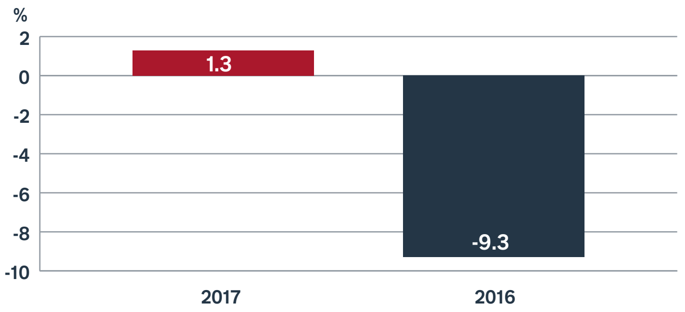
One year



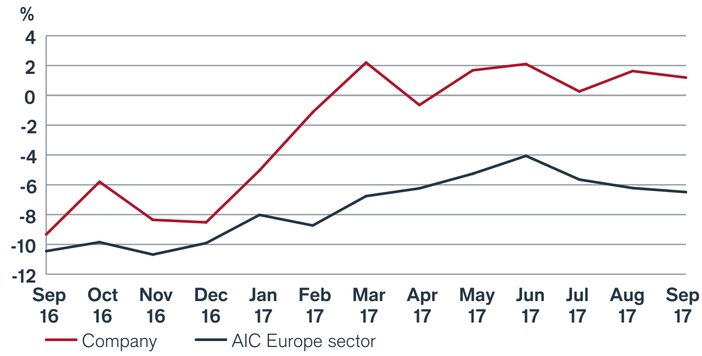
Five years



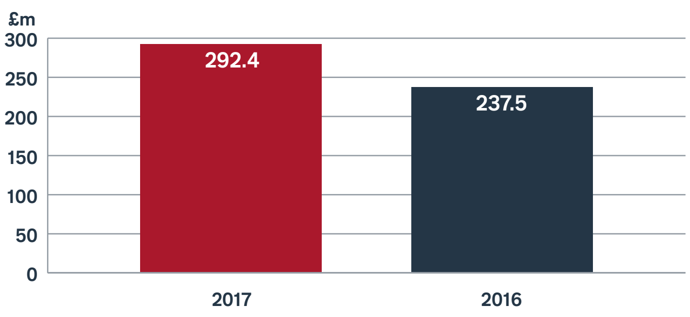
Premium/(Discount) at year end[4]



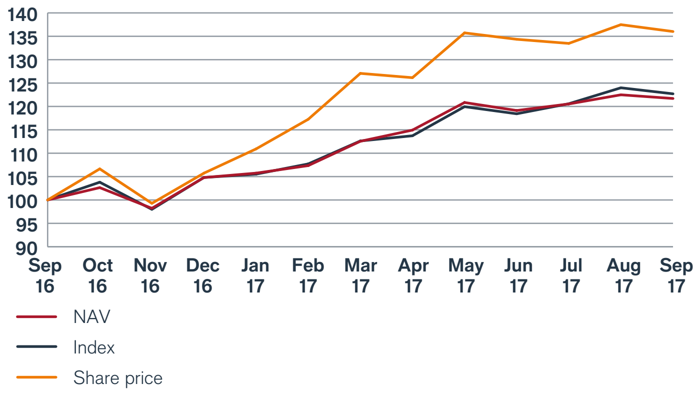
Premium/(Discount)[5]



Net assets at year end



NAV and share price performance versus the benchmark[6]



Strategic Report: Performance Highlights (continued)

NAV per ordinary share at year end

2017 **1,370.62p**
2016 1,153.12p

Share price at year end

2017 **1,389.00p**
2016 1,045.50p

Dividend for year[7]

2017 **29.50p**
2016 26.40p

Dividend yield[8]

2017 **2.1%**
2016 2.5%

Ongoing charge for year

2017 **0.87%**
2016 0.90%

Gearing at year end

2017 **8.0%**
2016 6.1%

Number of investments at year end

2017 **59**
2016 57

Performance fee

2017 **£nil**
2016 £nil

1 FTSE World Europe ex UK Index on a total return basis in Sterling terms
2 Net Asset Value (NAV) 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 premium/discount per ordinary share compared to the AIC Europe sector over the year to 30 September 2017
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 2017
7 Consisting of an interim dividend of 9.00p paid in June 2017 and a recommended final dividend of 20.50p due for payment in February 2018 subject to approval at the AGM. Excludes the special dividend of 1.40p per ordinary share
8 Based on the dividends paid or recommended for the year and the share price at the year end. Excludes the special dividend of 1.40p per ordinary share
Sources: Morningstar Direct, Janus Henderson, Datastream
A glossary of terms is included on pages 17 and 18.

Strategic Report: Business Model

The Company operates as an investment trust company. It aims to deliver capital growth to its shareholders in line with the Investment Objective and Policy. This is achieved through the appointment of specialised third-party service providers whose performance is monitored and challenged by a Board of independent non-executive directors. The Board is directly accountable to the Company's shareholders.

Investment Objective

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

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 Janus 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 net asset value ("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 Janus Henderson is confident that market conditions and opportunities exist to enhance investment returns by using gearing. Janus 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.

Management Arrangements

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

The Manager is engaged under the terms of an Investment Agreement effective from 22 July 2014. The agreement is terminable on six months' notice. The fund management team is led by John Bennett, who has been in place since December 2010.

The base management fee is 0.65% per annum and is calculated quarterly in arrears on the value of the Company's net assets. The Manager may also be eligible to receive a performance related fee which is charged when the NAV per ordinary share total return is better than the benchmark index (the FTSE World Europe ex UK in Sterling terms) total return with a hurdle of 1%. The rate is 15% of the NAV per ordinary share outperformance of the benchmark index above the hurdle (excluding the effect of share buy-back, 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 1.30% of the quarterly average 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 figures for the financial year as audited and published in the Annual Report.

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

Strategic Report: Chairman's Statement

The Chairman of the Board, Rodney Dennis, reports on the year to 30 September 2017

Performance

In the financial year to 30 September 2017, the Company produced a share price total return per ordinary share of 35.9% (2016: 8.6%). The Company's net asset value ("NAV") total return for the year was 21.7% (2016: 20.4%) compared to the total return of the benchmark, the FTSE World Europe ex UK in Sterling terms, of 22.7% (2016: 21.1%). The NAV total return per ordinary share for the five year period to 30 September 2017 was 129.7% compared with 100.1% for the benchmark.

The Company's shares traded at a premium for most the year, enabling the Company to issue a total of 897,500 shares during the year and up to the date of this report, raising a total of £12,370,000.

Dividend

The Board is recommending a final dividend of 20.50p per ordinary share which, subject to shareholder approval at the 2018 Annual General Meeting ("AGM"), will be paid on 2 February 2018. When added to the interim payment of 9.00p (2016: 7.50p) this brings the full year dividend to 29.50p, an increase of 11.7% (2016: 7.1%) over last year's distribution.

The Board is also recommending a special dividend of 1.40p per ordinary share which is the result of the successful return of withholding tax refunded by the French tax authority. If approved, the special dividend will be paid at the time of the final dividend.

Board changes

The Board was pleased to announce on 11 September 2017 that Eliza Dungworth would be succeeding Alexander Comba as Chairman of the Audit Committee with effect from the 2018 AGM. Alexander will remain as the Senior Independent Director of the Company and offers himself for re-election at the 2018 AGM.

The change forms part of the ongoing programme to refresh Board membership and to ensure that the Directors bring a diverse range of skills and experience to deliberations on the Company's business.

Investment Objective and Policy

As part of its considerations on strategy, the Board reviewed the Company's Investment Objective and Policy. In doing so, we were cognisant of the FCA's recommendations in terms of clarifying and simplifying the wording used in this type of documentation.

We have taken the opportunity to enhance the Fund Manager's ability to focus the portfolio and have dropped the lower level of holdings to 45. We have also clarified the level of NAV which should be invested in Continental Europe. The updated Investment Objective and Policy is included in the resolutions which will be put to the 2018 AGM. We encourage shareholders to vote in favour of its adoption. Further details are provided in the Notice of Meeting enclosed with this Annual Report.

Annual General Meeting ("AGM")

The AGM is due to be held on 25 January 2018 and the Directors will again be seeking to renew the authorities previously granted permitting the allotment and repurchase of the Company's ordinary shares. The Directors are also proposing a revised Remuneration Policy and amendments to the Company's Articles of Association. Details on these resolutions are provided in the enclosed Notice of Meeting.

Manager

Henderson Group plc merged with Janus Capital Group, Inc. on 30 May 2017. I am pleased to confirm that this has not led to a change in the Fund Manager for your Company and the Board has been reassured that the strength of the European Equities team will be maintained.

Outlook

The period under review and extending back into 2016 has been dominated on the macro level by political concerns. There have been referenda and elections; most notably this year in the Netherlands, France and latterly Germany where the concerns of a comprehensive political upset have impacted the markets and, at

Strategic Report: Chairman's Statement (continued)

the time of writing, remain unresolved. Notwithstanding that, it is clear that there are powerful discontents not far below the surface that will continue to have an influence on politics and policy making in Europe. In the last part of the financial year under review, there has been renewed unrest provoked by the Catalan "referendum", reminding everyone that the direction for Europe is far from settled. Although these events dominate the news and are clearly very important for the future of the Continent, accurately predicting every twist and turn and its impact on financial markets is, in our view, very unlikely. Consequently, as has always been the case, your Fund Manager combines a thematic approach to sector selection with a focus on a bottom up analysis of individual companies, their cash flows and trading prospects. Your portfolio is thus always a mix of stock and sector decisions based on the fundamental value of companies.

It is our view that returns to financial assets fluctuate around a long run mean return made up of the real rate of interest and the relevant equity risk premium. Actual valuations often diverge significantly from their long run return and the process of adjustment back to the mean is often called mean reversion. In the light of our strongly held view that markets have an almost universal tendency to "revert to the mean", it is worth reflecting on the fact that there has been a very strong performance from all financial assets whether bond or equities, both in developed and emerging markets. Furthermore, this exceptional asset price performance has extended out to encompass real assets from real estate to the more exotic assets like fine art, fine wines and even vintage cars. There are a range of theories as to why this has occurred, but prime amongst those reasons must be the unprecedented central bank monetisation of debt.

European equities have been full beneficiaries of these favourable developments and in addition to this your Company has benefited from the weakness in Sterling, particularly when compared to the Euro, which came in the wake of widespread concerns expressed after the Brexit vote last year. The significant and long-lasting bull market that we have been enjoying has also contributed to the strong NAV and share price performance of the Company. It is your Fund Manager's opinion that this bull market is in a mature phase and that, as with all asset classes, eventually there will be a reversion to the mean. Exactly when that happens is not possible to forecast and it is worth remembering that periods of exuberance can be long-lasting and potentially extreme in nature. Whilst your Fund Manager will continue to seek opportunities to add value to the fund through careful stock and sector selection, vigilance for any indicators of impending reversion will be essential.

Rodney Dennis
Chairman
5 December 2017

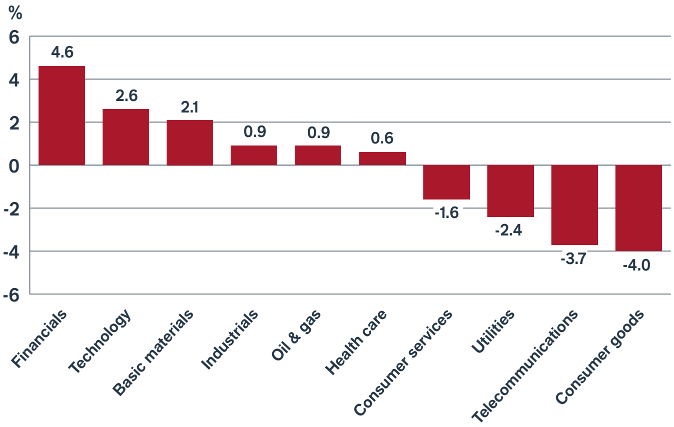
Strategic Report: Portfolio Information

Sector exposure at 30 September 2017

As a percentage of the investment portfolio excluding cash

	2017 %	2016 %
Financials	28.1	16.0
Industrials	16.5	19.1
Consumer goods	15.1	15.8
Health care	12.9	19.5
Basic materials	10.1	10.4
Technology	7.5	3.8
Oil & gas	5.1	3.5
Consumer services	3.1	6.3
Utilities	1.6	1.3
Telecommunications	–	4.3

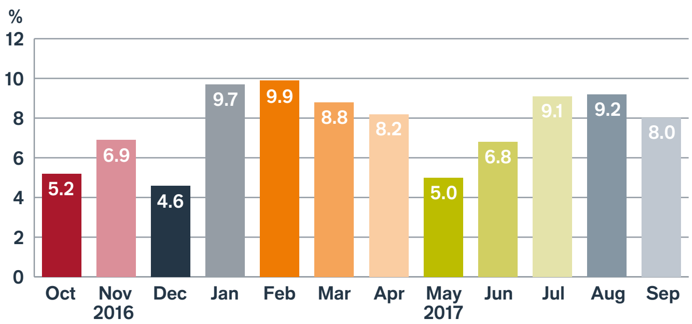
Sector overweights/underweights as at 30 September 2017[1]



Currency exposure at 30 September 2017[2]

	2017 %	2016 %
Euro	72.1	66.6
Swedish krona	10.0	5.9
Swiss franc	9.1	21.5
Danish krone	6.4	4.4
Norwegian krone	2.4	1.6

Gearing levels over the year to 30 September 2017



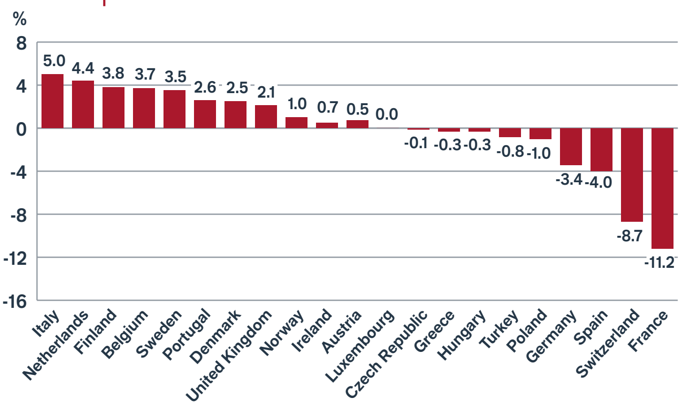
Sources: Janus Henderson and Factset
1 Relative to the benchmark as at 30 September 2017
2 Excludes Sterling balances

Geographic exposure at 30 September 2017

As a percentage of the investment portfolio excluding cash

	2017 %	2016 %
Germany	17.1	17.1
Netherlands	11.7	7.0
Italy	10.6	5.9
France	10.5	7.8
Sweden	9.8	16.9
Switzerland	8.9	21.6
Denmark	6.3	3.9
Belgium	6.2	5.2
Finland	6.0	2.9
Spain	3.3	3.5
Portugal	2.9	4.4
Norway	2.4	2.6
United Kingdom	2.1	1.2
Ireland	1.2	–
Austria	1.0	–

Country overweights/underweights at 30 September 2017[1]



Key performance influences[1]

	%
Return of the portfolio of investments	
from sector allocation	-0.21
from stock selection (including currency effect)	-1.58
Impact of gearing (net)	+1.22
Impact of share issuance	+0.44
Impact of ongoing charges	-0.87
Impact of performance fee	–
Morningstar cum income NAV Return relative to the benchmark	**-1.00**

Strategic Report: Fund Manager's Report

The Fund Manager of the portfolio, John Bennett, reports on the year to 30 September 2017

In his statement the Chairman refers to the phenomenon of mean reversion. It has, of course, forever been something of a mug's game to attempt the art (luck) of market timing. Yet, we have always been informed by a belief that most things in the financial world have a tendency to revert to the mean. We find ourselves scratching our heads as we contemplate our faith at this juncture in economic and financial market history. Following a particularly lengthy American economic recovery, fuelled by a similarly ageless supply of easy money and associated domination of western world stock markets by "growth" stocks, our attention was grabbed by a recent research report asking the question "Is Mean Reversion Dead?".[1]

Admittedly lumbered for life with a curmudgeonly scepticism for the "this time it's different" refrain (which usually accompanies the euphoric stage of bull markets) we had to take notice. The research drew some very reasonable conclusions, essentially arguing that mean reversion has not been allowed to function since the crisis of 2008, as central bankers have kept the foot to the pedal of the money printing machine. It is hard to argue with the contention that higher Return on Equity (ROE) businesses, far from seeing their returns eroded as competitive capital has come in to drive down returns, have enjoyed unusually persistent profitability. Similarly, it is hard to contest that low return companies have been allowed to stay in existence, courtesy of the extend and pretend approach to debt financing that accompanies near zero interest rates.

In essence, the above argues that Quantitative Easing policies have not only distorted asset prices, but have short circuited one of the principle rules of capitalism: mean reversion.

Were we to engage in debate over this topic we would undoubtedly fall on the side of those who believe that mean reversion has been delayed rather than cancelled. At the risk of missing out on trees that grow to heaven (or Unicorns or Cryptocurrencies) we would rather hold onto a belief in mean reversion and express that belief via the stocks and sectors we commit capital to. Just one stock example serves to highlight our way of thinking:

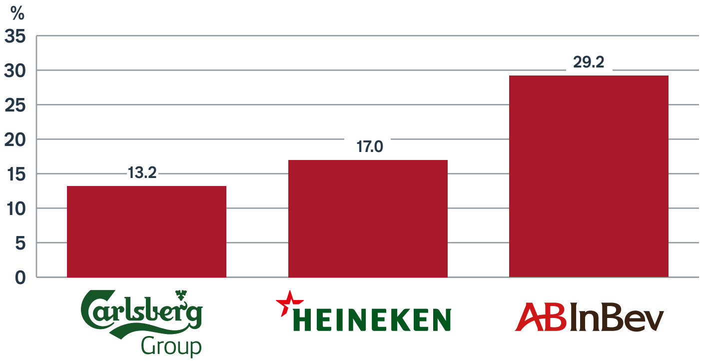
1 AllianceBernstein September 2017

Carlsberg

Carlsberg is a company operating in a mature sector: beer is not a growth industry (if measured by the top line). Historically we have avoided owning shares in Carlsberg, not because the industry was mature but because of the company's strategy: Carlsberg previously thought it could be a high growth company in a low growth industry. This often results in overreach, usually via acquisitions. Bankers often make the same mistake. In our view that very mistake, fuelled by leverage, is what led the banking system into trouble in the past. It is notable that our ownership of bank stocks is concentrated in those banks who are not in the business of overreaching, neither for yield nor growth, but are happy to stay "boring". This means they stay largely in their domestic markets, as they prioritise profits over revenue.

Having met with the management of Carlsberg earlier this year we became comfortable that here was a brewer finally ready to focus on profits rather than revenue. A glance at the chart below shows the potential.

2016 EBIT margin



Taken from the company's recent Capital Markets Day the graphic demonstrates that Carlsberg's margins are a shadow of its competitors'. This is where the mean reversionist gets interested. It is not necessary to believe that Carlsberg can approach the eye watering profitability of Anheuser-Busch InBev ('ABInBev'). Indeed, the key reason that we have avoided owning ABInBev is that it sports optimised profit margins and a valuation to match.

We need only get comfort that Carlsberg has a decent chance of nearing the profitability of Heineken. Indeed we firmly believe that this is what is, belatedly, driving the company's management. Only in the hands of the right management team will our thesis have a chance of playing out. In that regard it is worth highlighting that the CEO and CFO are newcomers to the group and recent meetings with both have confirmed that the nettle has been grasped.

Unlike investors in Unicorns, Bitcoin or Tesla the investor in Carlsberg is not required to believe in new paradigms. And unlike such apparently alluring stories, beer is an industry that is unlikely to face existential or technological shocks. We need, therefore, only believe that the "iron law" of mean reversion will assert itself to the profit margins of Carlsberg. We need also to remind ourselves, however, that the commodity most precious to the mean reversionist is the commodity in short supply in modern financial markets: patience. We shall enjoy a glass of Grimbergen, a monastery beer dating from the year 1128 and now owned by Carlsberg, while we wait.

Strategic Report: Fund Manager's Report (continued)

Medium Sized Companies

Once again the Company's year was influenced by a number of mid cap holdings. Particularly strong share price performance came from Interpump (73.5%), Tessenderlo (38.4%), IMA (36.0%) and IMCD (32.8%). We retain positions in each of these companies.

As the table below shows, at the year end the portfolio's commitment to companies capitalised at less than €10 billion stood at 38.6%. We will always endeavour to be stock specific but we see the mid cap end of the market as a continuing source of alpha for the portfolio.

Region	Portfolio stocks	Portfolio weight[1] %	Benchmark weight %	Benchmark stocks	Active weight %
>€50 billion	12	29.1	32.2	21	(3.1)
€20-50 billion	13	20.5	28.4	55	(7.9)
€10-20 billion	10	19.8	15.4	65	4.4
€5-10 billion	10	19.6	14.2	118	5.4
<€5 billion	14	19.0	9.8	241	9.2

1 Excluding cash

Outlook

Forever aware that market timing is best left to others, we are nevertheless somewhat cautious for near term prospects. As valuation conscious investors we struggle to contend that value is in plentiful supply across our markets. Rather, we believe that stock selection will be particularly crucial in the year ahead. It is no coincidence that portfolio gearing has been lowered and stands at 0.9% at the time of writing.

Personal Holding

As at 30 September 2017 my beneficial interest in the Company amounted to 314,850 shares.

John Bennett
Fund Manager
5 December 2017

Strategic Report: Investment Portfolio as at 30 September 2017

Ranking 2017	Ranking 2016	Company	Sector	Country of listing	Valuation 2017 £'000	Percentage of portfolio
1	6	**Autoliv**	Automobiles & Parts	Sweden	10,846	3.43
2	3	**Nestlé**	Food Producers	Switzerland	10,649	3.37
3	1	**Novartis**	Pharmaceuticals & Biotechnology	Switzerland	10,114	3.20
4	–	**Carlsberg**	Beverages	Denmark	9,847	3.12
5	–	**Bayer**	Chemicals	Germany	9,618	3.05
6	–	**United Internet**	Software & Computer Services	Germany	9,436	2.99
7	10	**Tessenderlo**	Chemicals	Belgium	9,203	2.91
8	4	**Galp Energia**	Oil & Gas Producers	Portugal	9,121	2.89
9	–	**ABN Amro**	Banks	Netherlands	8,950	2.83
10	14	**ING**	Banks	Netherlands	8,141	2.58
		10 largest			**95,925**	**30.37**
11	25	DNB	Banks	Norway	7,548	2.39
12	55	BNP Paribas	Banks	France	7,377	2.34
13	2	Roche	Pharmaceuticals & Biotechnology	Switzerland	7,265	2.30
14	7	SAP	Software & Computer Services	Germany	7,242	2.29
15	57	Intesa Sanpaolo	Banks	Italy	6,575	2.08
16	29	Bankinter	Banks	Spain	6,312	2.00
17	–	Merck	Pharmaceuticals & Biotechnology	Germany	6,298	1.99
18	9	Nordea	Banks	Sweden	6,109	1.94
19	–	Société Générale	Banks	France	6,031	1.91
20	23	KBC	Banks	Belgium	5,922	1.88
		20 largest			**162,604**	**51.49**
21	15	RELX	Media	Netherlands	5,899	1.87
22	21	Novo-Nordisk	Pharmaceuticals & Biotechnology	Denmark	5,838	1.85
23	26	Trelleborg	Industrial Engineering	Sweden	5,355	1.70
24	50	Allianz	Nonlife Insurance	Germany	5,318	1.68
25	–	Michelin	Automobiles & Parts	France	5,182	1.64
26	–	Enel	Electricity	Italy	5,037	1.59
27	–	CNH Industrial	Industrial Engineering	Italy	4,953	1.57
28	–	Kone	Industrial Engineering	Finland	4,794	1.52
29	–	Swedbank	Banks	Sweden	4,719	1.49
30	32	Legrand	Electronic & Electrical Equipment	France	4,683	1.48
		30 largest			**214,382**	**67.88**
31	54	Philips	Health Care Equipment & Services	Netherlands	4,582	1.45
32	–	Nokian Renkaat	Automobiles & Parts	Finland	4,406	1.39
33	–	Ackermans & Van Haaren	Financial Services	Belgium	4,374	1.38
34	–	Unicredit	Banks	Italy	4,335	1.37
35	–	Vestas Wind Systems	Alternative Energy	Denmark	4,185	1.33
36	–	Indra Sistemas	Software & Computer Services	Spain	4,043	1.28
37	22	Siemens	General Industrials	Germany	4,000	1.27
38	28	Svenska Handelsbanken	Banks	Sweden	3,910	1.24
39	–	Ryanair	Travel & Leisure	Ireland	3,891	1.23
40	–	Diasorin	Health Care Equipment & Services	Italy	3,818	1.21
		40 largest			**255,926**	**81.03**
41	–	Unilever	Personal Goods	United Kingdom	3,732	1.18
42	31	Tarkett	Construction & Materials	France	3,726	1.18
43	–	UMP-Kymmene	Forestry & Paper	Finland	3,594	1.14
44	–	Vinci	Construction & Materials	France	3,343	1.06
45	–	Deutsche Post	Industrial Transportation	Germany	3,296	1.04
46	42	IMCD	Chemicals	Netherlands	3,234	1.02
47	–	PostNL	Industrial Transportation	Netherlands	3,200	1.01
48	–	Lenzing	Chemicals	Austria	3,166	1.00
49	35	Aktia Bank	Banks	Finland	3,121	0.99
50	19	Tikkurila	Construction & Materials	Finland	3,047	0.97
		50 largest			**289,385**	**91.62**
51	–	Eiffage	Construction & Materials	France	3,013	0.95
52	44	Fuchs Petrolub	Chemicals	Germany	2,994	0.95
53	–	Prysmian	Electronic & Electrical Equipment	Italy	2,991	0.95
54	–	ASML	Technology Hardware & Equipment	Netherlands	2,951	0.93
55	–	Royal Dutch Shell	Oil & Gas Producers	United Kingdom	2,945	0.93
56	8	Henkel	Household Goods & Home Construction	Germany	2,934	0.93
57	12	Interpump	Industrial Engineering	Italy	2,923	0.93
58	11	Fresenius	Health Care Equipment & Services	Germany	2,859	0.91
59	13	IMA	Industrial Engineering	Italy	2,846	0.90
		Total listed equity investments at fair value			**315,841**	**100.00**

All securities are equity investments

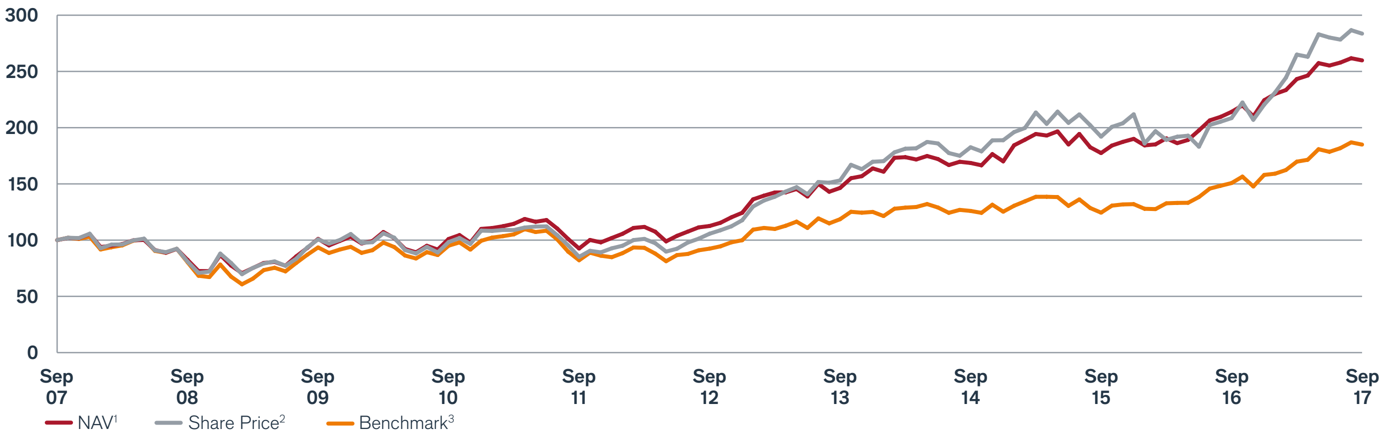
Strategic Report: Historical Performance and Financial Information

Total return performance to 30 September 2017

	1 year %	3 years %	5 years %	10 years %
NAV[1]	21.7	54.0	129.7	162.8
Benchmark[2]	22.7	46.8	100.1	85.0
Share price[3]	35.9	55.3	167.7	183.5
AIC Europe sector[4]	22.8	54.0	113.8	129.9
Ranking in sector	4	3	1	2

(including dividends reinvested and excluding transaction costs)

Total return performance over the 10 years to 30 September 2017 (rebased to 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] %
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
2016	237,551	1,153.1	1,045.50	40,186	26.85	169.05	195.90	26.40	0.90
2017	**292,398**	**1,370.6**	**1,389.00**	**50,559**	**33.81**	**209.55**	**243.36**	**29.50**[7]	**0.87**

1 Net Asset Value per ordinary share with income reinvested for one, three and five years and capital NAV per ordinary share plus income reinvested for 10 years
2 FTSE World Europe ex UK Index on a total return basis in Sterling terms
3 Share price total return using mid-market closing prices
4 The AIC Europe sector is comprised of eight trusts
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. The methodology for these calculations exclude performance fees
7 Excludes special dividend of 1.40p per ordinary share
Sources: Janus Henderson, Morningstar Fund Data, Datastream

Strategic Report: Corporate Information

Directors

The Directors in office during the year and up to 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 (appointed as Chairman on 14 September 2006)

Rodney had a career in the City, culminating in his appointment as Chief Investment Officer for Prudential Portfolio Managers. He has subsequently held a number of non-executive directorships and pension fund trusteeships.

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 Group Finance Director of Vinci PLC, one of the UK's largest construction groups, for over 20 years and now serves on various boards as a non-executive director or pension fund trustee.

Robin Archibald

Position: Director

Date of appointment: 1 March 2016

Robin is a corporate financier and chartered accountant who has specialised in the UK closed-ended funds sector for over 25 years. He was previously employed by Winterflood Investment Trusts as head of their corporate team and prior to that worked with other advisory firms including Samuel Montagu, SG Warburg Securities and NatWest Markets.

Robin is a non-executive director of Shires Income PLC, Albion Technology & General VCT PLC, Ediston Property Investment Company plc and Capital Gearing Investment Trust P.l.c.

Alain Dromer

Position: Director

Date of appointment: 1 April 2014

Alain is an experienced financial services executive director. He was previously Chief Executive Officer 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).

Alain is an independent non-executive director of Santander UK plc and Majid Al Futtaim Trust LLC, and an independent member of the board of Moody's Investors Services Limited and other European subsidiaries.

Eliza Dungworth

Position: Director

Date of appointment: 1 January 2016

Eliza is a chartered accountant and chartered tax adviser spending 25 years at Deloitte, 15 of those as partner. She is an experienced adviser to the investment management industry with a thorough understanding of accounting, tax and regulatory issues. Eliza is Head of Assurance & Oversight at Fidelity.

All Directors are independent of the Manager 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.

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 2017
Ex dividend date	4 January 2018
Dividend record date	5 January 2018
Annual General Meeting[1]	25 January 2018
Final dividend payable	2 February 2018
Half-year results announced	May 2018
Interim dividend payable	June 2018

Information sources

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

HGi

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

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

Follow Janus Henderson Investment Trusts on Twitter, YouTube and Facebook

Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website. 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 **Customercare.HSDL@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 registered as a public limited company and is an investment trust as defined under section 833 of the Companies Act 2006 (the "Act"). It has been approved as an investment company under sections 1158/1159 of the Corporation Tax Act 2010, as amended, and is a member of the Association of Investment Companies ("AIC"). The Directors are of the opinion that the Company continues to conduct its affairs as an Approved Investment Trust under the Investment Trust (Approved Company) (Tax) Regulations 2011. The Company maintains a primary listing on the London Stock Exchange and is subject to the Listing, Prospectus and Disclosure Guidance and Transparency Rules published by the FCA. The Company is governed by its Articles of Association, amendments to which must be approved by shareholders by way of a special resolution.

Principal risks

The Board, with the assistance of the Manager, has carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity. The assessment included consideration of the market uncertainty arising as a result of the UK referendum to leave the European Union. The Board has drawn up a matrix of risks facing the Company and has put in place a schedule of Investment Limits and Restrictions, appropriate to the Company's Investment Objective and Policy, in order to mitigate these risks as far as practicable. The principal risks and mitigating steps 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.	Investment risk is spread by holding a diversified portfolio of companies with strong balance sheets and above average growth prospects.	The Board considers this risk to have remained unchanged throughout the year under review.
Gearing The Fund Manager 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 due diligence by the Manager. 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 reduce or enhance returns for Sterling based investors.	The Board considers this risk to have remained unchanged throughout the year under review.
Operational risks Disruption to, or the failure of, the Manager's accounting, dealing or payment systems or the custodian's records could prevent the accurate reporting or monitoring of the Company's financial position. Janus 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 Janus Henderson, BNP and the Depositary, HSBC Bank Plc (which appoints the Custodian) to mitigate 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 monitors the services provided by its third-party service providers and receives reports on the key elements in place to provide effective control.

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 the Manager's investment team. The continued service of these individuals could impact the future success of the Company.	The Board has been assured by the Manager that the Fund Manager and the European Equities team are appropriately remunerated and incentivised in their roles in a manner consistent with industry best practice and the applicable FCA regulations. The Company's performance fee provides an additional incentive. Janus Henderson has a strong European Equities team which supports the Fund Manager in the management of the Company's portfolio and looks to develop managers with the capability to succeed him in the fullness of time.	The Board considers this risk to have remained unchanged throughout the year under review.

Viability statement

The Board considers it is appropriate to assess the viability of the Company over a three-year period. The Directors believe this is a reasonable period reflecting the longer-term investment horizon of the Company, as well as that of its investors, and the inherent shorter-term uncertainties in equity markets.

The Board considers the Company's viability as part of their continuing programme of monitoring risk. In carrying out their assessment the Board takes account of the likely impact of the principal risks and uncertainties facing the Company materialising in severe, but plausible scenarios. The effectiveness of any mitigating controls currently in place is considered as part of the process.

The Board takes into account the liquidity of the portfolio, the gearing and the income stream from the portfolio, and the Company's ability to meet its liabilities as they fall due. This includes 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. Detailed forecasts are made over a shorter time frame, however, the nature of the Company's business 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 Board concluded that the Company's assets are liquid, its commitments are limited and that the Company intends to continue operating as an investment trust. No significant changes to the Company's principal risks, or the mitigating controls in place, are anticipated over the period, and the Board is not aware of any events that would prevent the Company from continuing to operate in its current capacity.

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

Borrowing

The Company has a secured multi-currency 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 Board has delegated responsibility to the Fund Manager 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 to 20% of net assets. As at 30 September 2017, the facility was drawn up to £45 million.

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 Policy. 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 the Manager, the Board takes into account the following key performance indicators ("KPIs"):

KPI	Action
Performance measurement	The portfolio is not constrained by a benchmark, however, the Board measures performance of the NAV per ordinary share and share price total return against the FTSE World Europe ex UK index (in Sterling terms) and the AIC Europe sector.
Discount or premium to NAV per ordinary share	The level of premium or discount 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, voting and the UK Stewardship Code

The Board delegates the Company's investment management activities, including corporate governance and corporate responsibility in respect of investee companies, to Janus Henderson. The Board retains oversight as to how duties in this area are discharged by reviewing the Responsible Investment Policy (the "RI Policy") and receiving regular reporting on how the RI Policy has been applied in respect of the shares in its portfolio.

The Manager's RI Policy sets out its approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients. This includes environmental, social and ethical issues, its approach to proxy voting and the application of the UK Stewardship Code.

The Board believes that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on Board policy, practices and performance. Voting recommendations are guided by the best interests of the investee companies' shareholders and, depending on the nature of the resolution, the Fund Manager may give specific instructions on voting non-routine and unusual or controversial resolutions.

The RI Policy can be found on the Manager's website at **www.janushenderson.com**.

Employees, social, community, human rights and environmental matters

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

The Company has no employees. The Directors are satisfied that, to the best of their knowledge, the Company's principal suppliers, listed on page 12, comply with the provisions of the UK Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010.

Board Diversity

The Company's affairs are overseen by a Board comprising five non-executive Directors, four male and one female. The Directors are diverse in their experience bringing knowledge of the global and European investment markets, banking, accounting and corporate financing expertise to discussions regarding the Company's business.

The Directors regularly consider the leadership needs and specific skills required to achieve the Company's Investment Objective, and are cognisant of diversity when making appointments to the Board.

The Company has no employees and therefore has no further disclosures to make in respect of gender representation within the Company.

For and on behalf of the Board

Alexander Comba
Director
5 December 2017

Strategic Report: Glossary

Alternative Investment Fund Managers Directive ("AIFMD")

Agreed by the European Parliament and the Council of the European Union and transposed into English Law, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds ("AIFs") and requires them to appoint an Alternative Investment Fund Manager ("AIFM") and depositary to manage and oversee the operations of the investment vehicle. The Board of 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 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.

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.

EBIT margin

EBIT margin is the ratio of earnings before interest and taxes to net revenue earned. It is a measure of a company's profitability on sales.

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.

Treasury shares

Shares repurchased by the Company but not cancelled.

Yield

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

Strategic Report: Alternative Performance Measures

Capital return per share

The capital return per share is the capital profit for the year (see Income Statement) divided by the weighted average number of ordinary shares in issue during the year.

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 (see note 11) and equity shareholders' funds (see Statement of Financial Position), dividing this by equity shareholders' funds and multiplying by 100. The Company can also use synthetic gearing through derivatives and foreign exchange hedging.

Net Asset Value ("NAV") per ordinary share

The value of the Company's assets (e.g. investments (see note 11), debtors (see note 12) and cash held (see Statement of Financial Position)) less any liabilities (e.g. bank borrowings and debt securities (see note 13)) for which the Company is responsible, divided by the number of shares in issue (see note 15). The aggregate NAV is also referred to as shareholders' funds on the Statement of Financial Position. 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 costs and gains or losses arising on investments. The ongoing charge is based on actual costs incurred in the year (see notes 5 and 6) as being the best estimate of future costs, excluding any performance fees, in accordance with methodology 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 (see page 3) of an investment company is either higher (premium) or lower (discount) than the NAV per share (see 'NAV per ordinary share'), expressed as a percentage of the NAV per share.

Revenue return per share

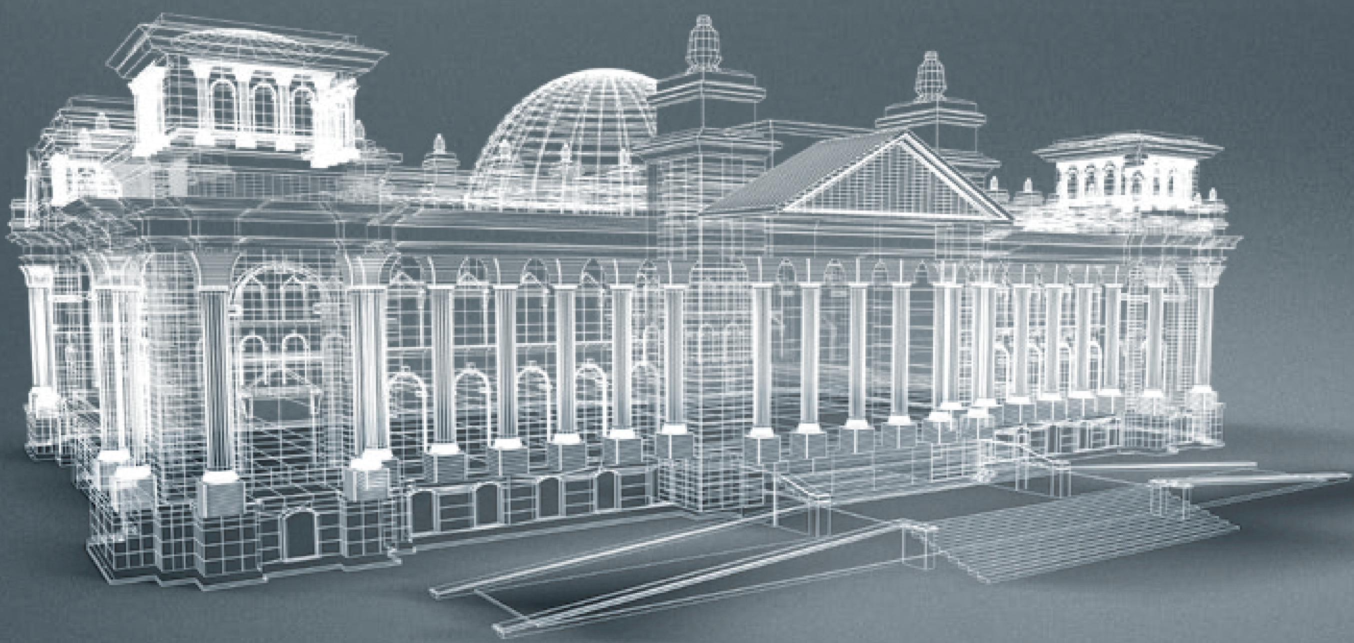
The revenue return per share is the revenue profit for the year (see Income Statement) divided by the weighted average number of ordinary shares in issue during the year.

Total return performance

This is the return on the share price (see page 3) or NAV per share (see 'NAV per ordinary 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).

See page 15 for details of the Company's key performance indicaters and how the Directors assess some of these Alternative Performance Measures.

Corporate Report



Directors' Report

The Directors present their Report and the audited financial statements of the Company for the year ended 30 September 2017.

The Corporate Governance Report and Audit Committee Report on pages 24 to 29 form part of the Directors' Report.

Share capital

As at 30 September 2017, the Company's paid up share capital consisted of 21,473,991 ordinary shares of 50p each, comprising 21,333,261 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 annual shareholder approval, the Company may allot shares or sell equity securities held by the Company in Treasury. At the AGM on 1 February 2017, the shareholders authorised the Directors to allot or issue from Treasury up to 2,074,149 shares. The Company has issued 732,500 in the year to 30 September 2017 and a further 165,000 shares up to the date of this report (representing 4.36% of the shares in issue at 1 October 2016) under this authority. The shares have been issued to the Company's brokers, Winterflood Securities Limited, at prices ranging from 1,290.0p – 1,427.0p for total proceeds of £12,370,000 (net of commissions).

Subject to shareholder approval, the Company may purchase its own ordinary shares at a discount to NAV per ordinary share. At the AGM on 1 February 2017, shareholders gave the Board authority to buy back 3,058,074 ordinary shares during the following 15 months for cancellation or to be held in Treasury. The Company has not used this authority.

Holdings in the Company's shares

Declarations of interests in the voting rights of the Company as at 30 September 2017 in accordance with the Disclosure Guidance and Transparency Rules ("DTRs") were as follows:

	% of voting rights
Investec Wealth & Investment	11.96
Rathbone Investment Management	4.98

There have been no further notifications to the date of this report.

Related party transactions

The Company's transactions with related parties in the year were with the Directors and the Manager. 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 Janus 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 the Manager affecting the financial position of the Company during the year under review. More details on transactions with the Manager, including amounts outstanding at the year end, are given in Note 21 on page 51.

Annual General Meeting

The AGM will be held on 25 January 2018 at 2.30pm at the Company's registered office. The Notice of Meeting and details of the resolutions to be put at the AGM are contained in the separate document being sent to shareholders with this Report.

Directors' statement as to disclosure of information to auditor

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

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.

With the exception of disclosures under LR 9.8.4(7) relating to the allotment of shares, which is covered under the section 'Share Capital', there are no further disclosures to be made in this regard.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
5 December 2017

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting standards, comprising FRS 102, the financial reporting standard applicable in the United Kingdom and Republic of Ireland, and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the 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 comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Statement under DTR 4.1.12

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

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 and applicable law) give a true and fair view of the assets, liabilities, financial position and profit and loss 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
5 December 2017

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

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

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

Directors' Remuneration Report

Remuneration Policy

The Remuneration Policy (the "Policy") sets out the principles applied in the remuneration of the Company's Directors. The Policy has been in place since 1 July 2013 and was last approved by shareholders at the AGM held on 1 February 2017.

The Board is proposing to amend the aggregate limit in respect of Directors' fees, increasing this from £150,000 to £250,000 per annum, providing headroom for future recruitment and remuneration increases. Shareholders will be invited to vote on this revised Remuneration Policy at the upcoming AGM in 2018 and it is intended that this policy will apply for the period to the Company's AGM due to be held in 2021.

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

- reflect the time spent by them on the Company's affairs;
- reflect the responsibilities borne by them as Directors;
- be sufficient to promote the long term success of the Company and comparable to the remuneration paid by other investment trusts of a similar size with a similar capital structure and Investment Objective; and
- not exceed the current aggregate remuneration limit of £150,000 per annum. With effect from 1 February 2018, subject to shareholder approval at the 2018 AGM, this aggregate remuneration limit will be increased to £250,000 per annum.

Directors are remunerated in the form of fees which are payable quarterly in arrears. No Director is eligible to receive bonuses, pension benefits, share options or other benefits and no long-term incentive schemes are in place. The Directors may be reimbursed for all reasonable and properly documented expenses incurred in the performance of their duties and may be eligible to receive additional remuneration, in specific circumstances, for services which go beyond the ordinary duties of a non-executive director. The level of remuneration paid to each Director is reviewed annually and the Board may amend the levels of remuneration paid to individual Directors within the parameters of this Policy. However such review will not necessarily result in a change to the rates.

The Policy, irrespective of any changes, should be put to shareholders at intervals of not more than three years.

Shareholders' views

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

Letters of Appointment

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

Recruitment principles

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

Report on Implementation

The Directors' Remuneration Report (the "Report") is prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the "Regulations").

A resolution to approve this Report, along with the revised Policy, will be put to shareholders at the 2018 AGM.

Statement from the Chairman

As the Company has no employees and the Board is comprised entirely of non-executive Directors, the Board has not established a separate Remuneration Committee. Directors' remuneration is determined by the Board as a whole within the parameters of the Policy approved by shareholders.

Directors' fees for the year under review were £30,000 for the Chairman, £24,000 for the Chairman of the Audit Committee and £21,000 for the remaining Directors. Directors' fees were last increased in 2011.

Following a detailed review of fees paid in the closed ended sector, including for comparable companies, discussions with the Company's brokers and the Manager, and taking into account the changed circumstances of the Company since fees were last reviewed in 2011, Directors' fees will be increased to £37,000 for the Chairman, £29,000 for the Senior Independent Director and the Chairman of the Audit Committee and £25,000 for other Directors with effect from 1 October 2017.

Directors' interests in shares (audited)

	Ordinary shares of 50p	
	30 September 2017	1 October 2016
Rodney Dennis	7,515	7,515
Robin Archibald	2,231	5
Alexander Comba	5,000	5,000
Alain Dromer	2,200	2,200
Eliza Dungworth	480	–

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 up to the date of this report.

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.

	2017 £	2016 £	Change £
Total remuneration	117,000	109,903	7,097
Ordinary dividend paid during the year	5,760,662	5,178,444	582,218

Directors' Remuneration Report (continued)

Directors' remuneration (audited)

The remuneration paid to the Directors who served during the years ended 30 September 2017 and 30 September 2016 were as follows:

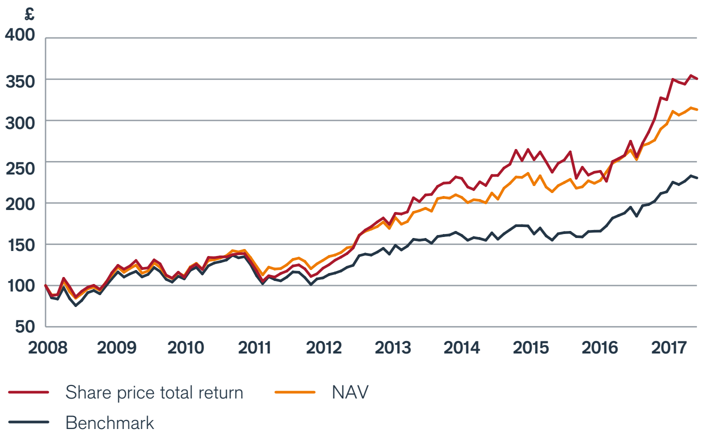
	Year ended 30 September 2017 Total salary and fees £	Year ended 30 September 2016 Total salary and fees £	Year ended 30 September 2017 Taxable benefits £	Year ended 30 September 2016 Taxable benefits £	Year ended 30 September 2017 Total £	Year ended 30 September 2016 Total £
Rodney Dennis[1]	30,000	30,000	–	–	30,000	30,000
Robin Archibald[2]	21,000	12,288	–	–	21,000	12,288
Alexander Comba[3]	24,000	24,000	–	–	24,000	24,000
Alain Dromer	21,000	21,000	–	–	21,000	21,000
Eliza Dungworth[4]	21,000	15,750	–	–	21,000	15,750
Michael Firth[5]	–	6,865	–	–	–	6,865
Total	**117,000**	**109,903**	**–**	**–**	**117,000**	**109,903**

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 Appointed on 1 March 2016
3 Senior Independent Director and Chairman of the Audit Committee
4 Appointed on 1 January 2016
5 Retired on 28 January 2016

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.

Performance

The graph compares the share price total return of the Company's ordinary shares over the nine-year period ended 30 September 2017 with the return from the FTSE World Europe ex UK index on a total return basis in Sterling terms over the same period, assuming the investment of £100 on 30 September 2008 and reinvestment of all dividends and income (excluding dealing expenses).



Sources: Morningstar Fund Data and Datastream

Statement of voting at AGM

A binding ordinary resolution adopting the Directors' Remuneration Policy was approved at the AGM held on 1 February 2017. The votes cast by proxy for the resolution were 3,965,183 (99.28%), 21,860 (0.55%) were against, 6,997 (0.18%) were discretionary and 23,746 votes were withheld. The percentage of votes excludes those withheld.

A binding ordinary resolution adopting the Directors' Remuneration Report was approved at the AGM held on 1 February 2017. The votes cast by proxy for the resolution were 3,970,787 (99.24%), 23,356 (0.58%) were against, 7,818 (0.18%) were discretionary and 16,462 votes were withheld. The percentage of votes excludes those withheld.

For and on behalf of the Board

Alexander Comba
Director
5 December 2017

Corporate Governance Report

Applicable corporate governance codes

The Board follows the principles of the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council in April 2016 and the Code of Corporate Governance issued by the Association of Investment Companies (the "AIC Code") in July 2016.

The AIC Code addresses the applicable principles of the UK Corporate Governance Code, as well as provisions and recommendations which are of specific relevance to investment trust companies. The FRC has confirmed that by following the AIC Code and Guide, the boards of investment companies will meet their obligations in relation to the UK Code and the disclosure requirements of the Disclosure Guidance and Transparency Rules.

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

Statement of compliance

The Board has considered the principles and recommendations of the AIC Code, and the relevant provisions of the UK Code, and believe the Company has complied with these throughout the period under review and up to the date of this Report with the exception of provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function.

As set out in the AIC Code, these provisions are not applicable as the Company is externally managed and has no executive directors, employees or internal operations. The Board does, however, consider the need for an internal audit function annually and reports further on this aspect on page 25.

The Board

As at the date of this report, the Board comprises five non-executive Directors who were in office throughout the period under review. Biographical details for each Director are set out on page 12.

Responsibilities of the Board

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

The Board meets formally at least five times a year, with additional Board or committee meetings arranged when required. The Directors have regular contact with the Fund Manager and other employees of the Manager in connection with the delivery of company secretarial, sales and marketing and other administrative services. The Board has a formal schedule of matters specifically reserved for its decision, which includes strategy, approval of the Company's financial results, oversight of management decisions and the evaluation of the effectiveness of the internal control and risk management systems.

Each meeting follows an agenda agreed with the Chairman and includes a review of the Company's investment performance, financial position, compliance with the investment parameters determined by the Board, reporting from the Depositary, a review of shareholder movements along with any sales or marketing activities undertaken and other reports of an operational nature.

The Board is responsible for reviewing succession planning, the approach on tenure, the performance of the Board as a whole, its Committees and individual Directors, the time commitment of Directors and the appointment of new Directors. When considering succession planning, the Board bears in mind the balance of skills, knowledge, experience and diversity on the Board. Given the size of the Board, it is not considered appropriate for the Company to have set targets in relation to diversity. Candidates are assessed in relation to the requirements of the Company at the time of appointment.

The Board has delegated contractually to external third-party service providers the management of the investment portfolio, the custodial services (which encompasses the safeguarding of the Company's assets by the Depositary and Custodian), 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, and its committees, maintain oversight of the third-party service providers through regular and ad hoc reporting, along with reports addressing any specific areas which the Board has requested.

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

The Company has a procedure for Directors to take independent professional advice in the furtherance of their duties at the expense of the Company.

Internal controls

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

The Board has established an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The process accords with the FRC's guidance on Risk Management,

Corporate Governance Report (continued)

Internal Control and Related Business and Financial Reporting published in September 2014. The system was in operation throughout the year and up to the date of this report. The system is designed to meet the specific risks faced by the Company and takes account of the nature of the Company's reliance on its service providers and their internal controls. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute assurance against material misstatement or loss.

The key components of the internal control framework include:

- The establishment of clearly defined investment criteria which specify levels of authority and exposure limits. The Board reviews reports on compliance with the criteria at each meeting.
- The Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance. The forecasts are reviewed by the Board at each meeting.
- The contractual agreements with the Manager and other third-party service providers, and adherence to them, are reviewed on a regular basis through reporting to the Board and formal evaluation of the overall level of service provided at least annually.
- The review of controls at the Manager and other third party service providers. The Board receives quarterly reporting from the Manager and Depositary, reviews annual assurance reports on the effectiveness of the control environments at the Company's key service providers and, if applicable, the Board agrees any required actions.
- Annual review meetings with the Depositary and other service providers as necessary to consider performance against key indicators and the reasons for any failure to meet agreed service levels.
- Review of additional reporting provided by:
  - the Manager's Operational Risk team on the control environment in operation at the Manager and their view of the control environments in place at the third party service providers used by the Company.
  - the Manager's Internal Audit team on areas of operation which are relevant to the Company.

The Board noted the service auditors' qualification in respect of the assurance reports for two of the Company's third-party service providers. The Board is aware that the Audit Committee has sought additional clarification in respect of the exceptions which resulted in the qualifications and is satisfied that the matter has been considered in sufficient detail.

The Board has reviewed the Company's system of internal controls for the financial year ended 30 September 2017. During the course of its review the Board has not identified or been advised of any failings or weaknesses that have been determined as significant.

Internal audit

Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable. The Company's management functions are delegated to third parties and the Board monitors the controls in place with support from the Manager's internal audit and operational risk functions. As such the Board has determined that there is currently no need for the Company to have its own internal audit function.

Directors

Appointment, retirement and tenure

The Board may appoint Directors to the Board at any point during the year. Any Director so appointed must stand for election by the shareholders at the next AGM in accordance with provisions of the Articles. Directors are generally expected to serve two terms of three years, which may be extended at the discretion of the Board and is subject to satisfactory performance evaluation and re-election by shareholders.

All Directors retire at intervals of not more than three years and the Company's Articles stipulate that at least one third of the Directors should retire at each AGM. The AIC Code recommends that all directors with a tenure exceeding nine years should stand for election by shareholders at each AGM.

By virtue of their tenures, Rodney Dennis and Alexander Comba will stand for re-election at the 2018 AGM. Alain Dromer will retire by rotation and offers himself to shareholders for re-election at the upcoming AGM. The contribution and performance of each of the Directors seeking re-election has been reviewed by the Board and, based on the results of that assessment, the continuing appointment of each of those Directors is recommended.

The Articles permit shareholders to remove a Director before the end of his term by passing an ordinary resolution at a general meeting. An appointment may be terminated by either party giving written notice without compensation payable.

Independence

The independence of the Directors is determined with reference to the AIC Code. The Board considers the independence of each of the Directors at least annually by reviewing the Directors' other appointments and commitments, as well as their tenure of service and any connections they may have with the Manager.

Rodney Dennis and Alexander Comba have served on the Board for more than nine years. The Board believes that length of service does not necessarily diminish the contribution from a Director as experience and knowledge of the Company, especially given the entirely non-executive nature of the Board, is a positive factor.

Robin Archibald was employed by the Company's broker, Winterflood, until April 2014. He was not engaged directly on the Company's account in the year prior to that and has not maintained any formal relationships with Winterflood since his retirement. The Board gave particular consideration to this point at the time of his

Corporate Governance Report (continued)

appointment and determined that he should be regarded as an independent non-executive Director.

Following formal evaluation, the Board concluded that all Directors continued to be independent in character and judgement.

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.

Induction and ongoing training

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

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

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

Directors' insurance and indemnification

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

Directors' conflicts of interest

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

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

Meeting attendance

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

	Board	AC	MC	AGM
Number of meetings	**5**	**3**	**1**	**1**
Rodney Dennis	5	3	1	1
Alexander Comba	5	3	1	1
Robin Archibald	5	3	1	1
Alain Dromer	5	3	1	1
Eliza Dungworth	5	3	1	1

A Committee of the Board met once during the year to approve the Company's financial results.

Performance evaluation

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

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

Committees of the Board

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

Audit Committee

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

The Committee is chaired by a qualified chartered accountant and all of the Directors are members of the Committee. The Board is satisfied that at least one member has recent and relevant experience and the Committee as a whole has competence relevant to the sector in which the Company operates.

The Audit Committee Report can be found on pages 28 to 29.

Corporate Governance Report (continued)

Management Engagement Committee

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

The Committee is chaired by the Chairman of the Board. All of the Directors are members of the Committee.

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

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

As part of its evaluation, the Committee considered the outcomes of the customer satisfaction survey which had been commissioned by the Manager across all of its onshore, managed investment trust companies. The survey provided a useful benchmark for measuring the quality of services delivered by the Manager.

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

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 Annual Report and half year results which aim to provide shareholders with a clear understanding of the Company's activities and financial position. This information is supplemented by the daily calculation and publication of the NAV per share and a monthly fact sheet which is available on the website. The Manager provides information on the Company and videos of the Fund Manager on the Company's website, via various social media channels and through its HGi content platform.

The Board considers that shareholders should be encouraged to attend and participate in the AGM, which is available to watch live by visiting **www.janushenderson.com/trustslive**. Shareholders have the opportunity to address questions to the Chairman of the Board, the Fund Manager and all Directors. 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 Meeting be issued to shareholders so as to provide at least 20 working days' notice of the meeting. These documents are also available 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.

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

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
5 December 2017

Audit Committee Report

The Chairman of the Audit Committee, Alexander Comba, reports on the year to 30 September 2017

Role and responsibilities

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

All of the Directors are members of the Committee.

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

- the Company's Annual Report and half-year financial statements, the appropriateness of the accounting policies applied and the use of the going concern statement;
- the assessment of the principal risks facing the Company and the long-term viability statement in light of these risks;
- the areas of judgement including the Company's performance fee calculation;
- the level of dividend to be paid in respect of the year ended 30 September 2017;
- the appointment and evaluation of the effectiveness and objectivity of the statutory auditor, and determining their remuneration;
- agreeing the nature and scope of the statutory audit and reviewing the auditors' findings;
- monitoring and evaluating the effectiveness of the Company's system of internal controls, and assessing the need for a separate internal audit function;
- the revised policy on the provision of non-audit services by the Auditor; and
- the whistle blowing arrangements in place at the Manager enabling staff to raise concerns about possible improprieties in confidence.

Meetings

The Committee met on three occasions during the year under review and invited the Auditor to attend as appropriate. The Manager's designated Financial Reporting Manager for the Company also attends meetings.

Significant issues

In relation to the Annual Report for the year ended 30 September 2017 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 and the Portfolio Valuation reviewed at each meeting of the Board. Ownership of listed investments is verified by BNP via 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 39). The Committee considers if the capital/income allocation remains appropriate and considers the treatment of any special dividends received during the course of the year.
Compliance with Section 1158 of the Corporation Tax Act 2010	The Committee reviews the Manager's procedures for ensuring compliance with relevant regulations for ensuring the Company maintains its investment trust status and regularly seeks confirmation of compliance with the relevant regulations.
Maintaining internal controls	The annual assurance reports for two of the Company's service providers were qualified by the respective service auditors. The Committee sought additional detail on the exceptions resulting in the qualification and whether these had a direct impact on the Company. Assurance was also sought in respect of the remedial actions being taken to address the issues and tactical solutions in operation in the interim. The Committee receives ongoing reporting in terms of closing out actions to address the issues identified by the reports.
Performance fee	The calculation of the performance fee payable to the Manager is reviewed by the Committee to ensure consistency with the Management Agreement.

Audit Committee Report (continued)

Policy on non-audit services

The Committee reviewed and adopted a revised policy on the provision of non-audit services by the Auditor. The policy aligns with the provisions of the new regulations which become effective on 17 June 2016.

The Company's auditor will only be considered for non-audit work where these are not prohibited by the regulations and where they do not appear to affect the independence and objectivity of the auditor. Such services require approval in advance by the Audit Committee, or Audit Committee Chairman, following due consideration of the proposed services.

Auditor's appointment

Ernst & Young LLP ("EY") were appointed as the Company's auditor on 25 July 2014 following a formal tender process. This is the fourth year the current audit partner has been in place. EY have not been engaged to provide any non-audit services during the year or up to the date of this report.

Following completion of the audit, the Committee considered the performance of the auditor by evaluating the content of their report and level of challenge to the areas requiring judgement, and by seeking input from the Manager's staff responsible for the day-to-day management of the audit. The Audit Committee remains satisfied with the effectiveness of the audit provided and that EY remains independent of the Company. The Committee therefore recommended their re-appointment to the Board. 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 2018 AGM.

Fees paid or payable to the auditor are detailed in Note 6 on page 42.

For and on behalf of the Board

Alexander Comba
Audit Committee Chairman
5 December 2017

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

Our opinion on the financial statements

Opinion

We have audited the financial statements of Henderson European Focus Trust plc for the year ended 30 September 2017 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the:

- financial statements give a true and fair view of the company's affairs as at 30 September 2017 and of its profit for the year then ended;
- financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report set out on pages 14 to 15 that describe the principal risks and explain how they are being managed or mitigated.
- the Directors' confirmation set out on page 14 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity.
- the Directors' statement set out on page 39 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.
- the Directors' explanation set out on page 15 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income. Incorrect calculation of performance fees. Incorrect valuation and existence of the investment portfolio.
Materiality	Overall materiality of £2.9m which represents 1% of net assets (2016: £2.4m).

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

Key audit matters

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

Risk	Our response to the risk	What we concluded to the Audit Committee
Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income. The Company has reported income from its listed investments of £8.8m (2016: £7.1m). We focused on the recognition of revenue and its presentation in the financial statements given the importance of the total return to shareholders. Special dividends by their nature require the exercise of judgment as to whether the income should be classified as 'revenue' or 'capital'. During the year, the Company received 5 special dividends (2016: 7), with an aggregate value of £1.0m (2016: £0.6m). Of this total, £0.9m was treated as revenue while £0.1m was treated as capital in the current period.	We obtained an understanding of BNP Paribas Securities Services' (the "Administrator") and Janus Henderson's (the "Manager") processes and controls for the recognition of investment income by performing walkthrough procedures and inspecting the Administrator's and Manager's internal control reports and understanding the Manager's governance structure for the oversight of revenue recognition. For a representative sample we: • agreed dividends received from the underlying financial records to an independent source and to bank statements as additional supporting evidence. • compared the exchange rates used to convert the dividend income received in foreign currencies to Sterling. We performed a review of all material special dividends received during the period and assessed the appropriateness of the accounting treatment adopted. For a further sample of investments, we checked that all dividends declared were recorded in the correct accounting period.	We noted no issues in our main income testing and also concurred with the treatment of special dividends. Based on the work performed we had no matters to report to the Audit Committee.
Incorrect calculation of performance fees. During the year, the Company paid £nil (2016: £nil) performance fees. The performance fee is calculated using the methodology set out in the Investment Management Agreement between the Company and the Manager. The calculation methodology for performance fees is given in the Strategic Report on page 4. The calculation involves a number of inputs and considerations and is performed manually by the Administrator. Incorrect calculation of this fee could have a material impact on the return generated for shareholders.	We walked through the systems and controls of the Administrator in respect of the calculation of performance fees. We re-performed the performance fee calculations and confirmed they were performed in line with the methodology set out in the Investment Management Agreement. We validated the external inputs used in the calculation to third party data.	Following the completion of our procedures, we concurred that there was no performance fee payable for the year ended 30 September 2017. Based on the work performed we had no matters to report to the Audit Committee.

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

Risk	Our response to the risk	What we concluded to the Audit Committee
Incorrect valuation and ownership of the investment portfolio. The valuation of the portfolio is £315.8m (2016: £252.1m), all of which are represented by level 1 investments. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and investment return. Incorrect asset pricing or a failure to maintain proper legal title of assets by the Company could have a significant impact on the portfolio valuation and, therefore, the return generated for shareholders.	We obtained an understanding of the Manager's and Administrator's processes and controls for the valuation and existence of the investments by performing walkthrough procedures and inspecting their internal control reports. We compared all of the investment holding prices at the year end to a relevant independent source. We compared all of the foreign exchange rates used at the balance sheet date to translate the portfolio to Sterling to an independent pricing source. We agreed the number of shares held for each security to confirmations of legal title received independently from the Company's Custodian and Depositary, both subsidiaries of HSBC Bank PLC.	We noted no issues in agreeing the Company's investment holdings to external confirmations and their prices to published sources. Based on the work performed we had no matters to report to the Audit Committee.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

Our application of materiality

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

Materiality

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

We determined materiality for the Company to be £2.9m (2016: £2.4m), which is 1% of net assets. We derived our materiality calculation from a proportion of net assets as we consider that to be the most important financial metric on which shareholders judge the performance of the Company.

During the course of our audit, we reassessed initial materiality and found no reason to alter the basis of calculation used at year end.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that performance materiality was 75% of our planning materiality, namely £2.2m (2016: £1.8m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also apply a separate, lower performance materiality of £0.4m (2016: £0.3m) for the revenue column of the Income Statement, being 5% of the revenue return on ordinary activities before taxation.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1m (2016: £0.1m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

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

Other information

The other information comprises the information included in the annual report set out on pages 1 to 29 and 52, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

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

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

We have nothing to report in this regard.

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

- Fair, balanced and understandable set out on page 21 – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting set out on pages 28 to 29 – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 24 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements set out on page 21, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and section 1158 of the Corporation Tax Act 2010.
- We understood how Henderson European Focus Trust plc is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to management override in relation to inappropriate revenue journals. We noted no issues when performing the procedures mentioned in relation to the key audit matter above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.
- We have reviewed that the Company's control environment is adequate for the size and operating model of such a listed investment company.

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.

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

Other matters we are required to address

We were appointed by the Company on 25 July 2014 to audit the financial statements for the year ending 30 September 2014 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is four years, covering the years ending 2014 to 2017.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

The audit opinion is consistent with the additional report to the Audit Committee.

Matthew Price (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
5 December 2017

Notes:

1. The maintenance and integrity of the Henderson European Focus Trust plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement

Notes		Year ended 30 September 2017 Revenue return £'000	Year ended 30 September 2017 Capital return £'000	Year ended 30 September 2017 Total return £'000	Year ended 30 September 2016 Revenue return £'000	Year ended 30 September 2016 Capital return £'000	Year ended 30 September 2016 Total return £'000
2	Gains on investments held at fair value through profit or loss	–	46,560	46,560	–	37,048	37,048
	Exchange losses on currency transactions	–	(1,214)	(1,214)	–	(906)	(906)
3	Income from investments	8,770	–	8,770	7,139	–	7,139
4	Other income	229	–	229	1	–	1
	Gross revenue and capital gains	**8,999**	**45,346**	**54,345**	**7,140**	**36,142**	**43,282**
5	Management fee	(441)	(1,324)	(1,765)	(359)	(1,077)	(1,436)
5	Performance fee	–	–	–	–	–	–
6	Other fees and expenses	(557)	–	(557)	(472)	–	(472)
	Net return on ordinary activities before finance costs and taxation	**8,001**	**44,022**	**52,023**	**6,309**	**35,065**	**41,374**
7	Finance costs	(247)	(487)	(734)	(129)	(386)	(515)
	Net return on ordinary activities before taxation	**7,754**	**43,535**	**51,289**	**6,180**	**34,679**	**40,859**
8	Taxation on net return on ordinary activities	(730)	–	(730)	(673)	–	(673)
	Net return on ordinary activities after taxation	**7,024**	**43,535**	**50,559**	**5,507**	**34,679**	**40,186**
9	Return per ordinary share	33.81p	209.55p	243.36p	26.85p	169.05p	195.90p

The total columns of this statement represents 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 other comprehensive income other than that disclosed in the Income Statement. The net return is both the profit for the year and the total comprehensive income.

The notes on pages 39 to 51 form part of these financial statements.

Statement of Changes in Equity

Notes	Year ended 30 September 2017	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 2016	10,371	25,846	30,074	61,344	9,421	89,306	11,189	237,551
	Net return on ordinary activities after taxation	–	–	–	–	–	43,535	7,024	50,559
15, 16	Shares issued	366	–	9,683	–	–	–	–	10,049
10	Ordinary dividends paid	–	–	–	–	–	–	(5,761)	(5,761)
	At 30 September 2017	**10,737**	**25,846**	**39,757**	**61,344**	**9,421**	**132,841**	**12,452**	**292,398**
Notes	**Year ended 30 September 2016**	**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 2015	9,996	25,846	22,820	61,344	9,421	54,627	10,860	194,914
	Net return on ordinary activities after taxation	–	–	–	–	–	34,679	5,507	40,186
15, 16	Shares issued	375	–	7,260	–	–	–	–	7,635
16	Share issue cost	–	–	(6)	–	–	–	–	(6)
10	Ordinary dividends paid	–	–	–	–	–	–	(5,178)	(5,178)
	At 30 September 2016	**10,371**	**25,846**	**30,074**	**61,344**	**9,421**	**89,306**	**11,189**	**237,551**

The notes on pages 39 to 51 form part of these financial statements.

Statement of Financial Position

Notes		At 30 September 2017 £'000	At 30 September 2016 £'000
	Fixed assets		
11	Investments at fair value through profit or loss	315,841	252,102
	Current assets		
12	Debtors	3,536	7,969
	Cash at bank	21,362	16,575
		24,898	**24,544**
13	**Creditors: amounts falling due within one year**	(48,341)	(39,095)
	Net current liabilities	**(23,443)**	**(14,551)**
	Net assets	**292,398**	**237,551**
	Capital and reserves		
15	Called up share capital	10,737	10,371
	Special distributable reserve	25,846	25,846
16	Share premium account	39,757	30,074
	Merger reserve	61,344	61,344
	Capital redemption reserve	9,421	9,421
17	Capital reserve	132,841	89,306
18	Revenue reserve	12,452	11,189
	Shareholders' funds	**292,398**	**237,551**
19	Net asset value per ordinary share	1,370.62p	1,153.12p

These financial statements were approved and authorised for issue by the Board of Directors on 5 December 2017 and were signed on its behalf by:

Alexander Comba
Director

The notes on pages 39 to 51 form part of these financial statements.

Cash Flow Statement

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Cash flows from operating activities		
Net return on ordinary activities before taxation	51,289	40,859
Add back: finance costs	734	515
Less gains on investments held at fair value through profit or loss	(46,560)	(37,048)
Stock dividend	–	(274)
Taxation paid	(383)	(673)
Increase in debtors	(308)	(274)
Increase/(decrease) in creditors	169	(1,173)
Net cash inflow from operating activities*	**4,941**	**1,932**
Cash flows from investing activities		
Sales of investments held at fair value through profit or loss	336,042	239,936
Purchases of investments held at fair value through profit or loss	(347,278)	(252,055)
Net cash outflow from investing activities	**(11,236)**	**(12,119)**
Cash flows from financing activities		
Issue of new ordinary shares	10,049	7,635
Share issue cost	–	(126)
Equity dividends paid	(5,761)	(5,178)
Drawdown/(repayment) of bank overdraft	7,190	(42)
Interest paid	(396)	(566)
Net cash inflow from financing activities	**11,082**	**1,723**
Net increase/(decrease) in cash and equivalents	4,787	(8,464)
Cash and cash equivalents at beginning of period	16,575	25,039
Cash and cash equivalents at end of period	**21,362**	**16,575**
Comprising:		
Cash at bank	**21,362**	**16,575**

*Cash inflow from dividends net of taxation was £8,387,000 (2016: £6,166,000) and cash inflow from interest was £229,000 (2016: £1,000).

The notes on pages 39 to 51 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

(a) Basis of preparation

The Company is a registered investment company as defined in Section 833 of the Companies Act 2006 and is incorporated in the United Kingdom. It operates in the United Kingdom and is registered at the address on page 13.

The financial statements have been prepared in accordance with the Companies Act 2006, FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, which is effective for periods commencing on or after 1 January 2015, and with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in November 2014 and updated in January 2017 with consequential amendments. The Company has early adopted the amendments to FRS 102 in respect of fair value hierarchy disclosures published in March 2016.

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

The accounts have been prepared under the historical cost basis except for the measurement at fair value of investments. In applying FRS 102, financial instruments have been accounted for in accordance with Sections 11 and 12 of the standard. All of the Company's operations are of a continuing nature.

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

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

(b) Going concern

The assets of the Company consist of securities that are readily realisable and, accordingly, the Directors believe that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. Having assessed these factors, the principal risks and other matters discussed in connection with the viability statement, the Board has determined that it is appropriate for the financial statements to be prepared on a going concern basis.

(c) Investments held at fair value through profit or loss

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

Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as gains or losses from investments held at fair value through profit or loss. Also included in this are transaction costs incurred on the purchase and disposal of investments. All purchases and sales are accounted for on a trade date basis.

(d) Foreign currency

The results and financial position of the Company are expressed in pounds Sterling, which is the functional and presentation currency of the Company. Sterling is the functional currency of the primary economic environment in which the Company operates.

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

Any gains or losses on 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 costs

All expenses and finance costs 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. All the other administrative expenses are charged to the revenue return of the Income Statement.

In accordance with the SORP, the performance-related fee (when payable) is allocated 100% to capital, together with the 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 Statement of Financial Position date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. Any liability to deferred tax is provided at the average rate of tax expected to apply based on tax rates and laws that have been enacted or substantially enacted at the Statement of Financial Position date. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

(h) Borrowings

Interest bearing bank loans and overdrafts are recorded initially at fair value, being the proceeds received, less direct issue costs. They are subsequently remeasured at amortised cost. Finance costs, 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 Statement of Changes in Equity.

(j) Issue and repurchase of ordinary shares and associated costs

The proceeds from issuing ordinary shares and the costs of repurchasing ordinary shares, including related stamp duty and transaction costs, are taken directly to equity and reported through the Statement of Changes in Equity, with the cost of repurchases being charged to a capital distributable reserve. Share issues and repurchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of called up share capital and into the capital redemption reserve, 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 and reserves

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

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

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.

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 in Treasury and the excess over the nominal value for new ordinary shares issued. The share premium has increased during the year because of proceeds from new ordinary shares being issued, less the costs of issue.

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.

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

The following analyses what is accounted for in the capital 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.

(l) Distributable reserves

The Company's special distributable reserve and revenue reserve may be distributed by way of a dividend.

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

	2017 £'000	2016 £'000
Gains on the sale of investments based on historical cost	45,542	5,717
Revaluation gains recognised in previous years	(20,617)	(304)
Gains on investments sold in the year based on carrying value at previous Statement of Financial Position date	**24,925**	**5,413**
Revaluation of investments held at 30 September	21,635	31,635
Gains on investments held at fair value through profit or loss	**46,560**	**37,048**

3 Income from investments

	2017 £'000	2016 £'000
Listed investments:		
Overseas dividends	8,703	6,618
UK dividends	67	247
Stock dividends	–	274
	8,770	**7,139**

Notes to the Financial Statements (continued)

4 Other income

	2017 £'000	2016 £'000
Interest received on refund of French withholding tax[1]	229	–
Deposit interest	–	1
	229	1

1 See note 8 for further details

5 Management and performance fees

	2017			2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	441	1,324	1,765	359	1,077	1,436
Performance fee	–	–	–	–	–	–
	441	1,324	1,765	359	1,077	1,436

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.

6 Other expenses

	2017 £'000	2016 £'000
Directors' fees	117	110
Fees payable to the Company's auditors – for audit services	29	26
AIC subscriptions	21	21
Directors' and Officers' liability insurance	8	9
Listing fees	23	21
Depositary charges	48	43
Custody charges	60	44
Printing and postage	21	21
Other expenses payable to the Manager[1]	112	70
Registrars' fees	46	37
Legal and professional fees	61	46
Other expenses	11	24
	557	472

1 Other expenses payable to the Manager relate to marketing services

7 Finance costs

	2017			2016		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
On bank overdrafts payable within one year	162	487	649	129	386	515
Interest payable to HMRC due to refund of French withholding tax[1]	85	–	85	–	–	–
	247	487	734	129	386	515

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

1 See note 8 for further details

Notes to the Financial Statements (continued)

8 Taxation on net return on ordinary activities

(a) Analysis of charge for the year

	Year ended 30 September 2017			Year ended 30 September 2016		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Corporation tax payable due to refund of French withholding tax	347	–	347	–	–	–
Overseas tax suffered	885	–	885	673	–	673
Refund of French withholding tax	(502)	–	(502)	–	–	–
Total taxation for the year	**730**	**–**	**730**	**673**	**–**	**673**

(b) Factors affecting the tax charge for the year

	Year ended 30 September 2017			Year ended 30 September 2016		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Return on ordinary activities before taxation	**7,754**	**43,535**	**51,289**	**6,180**	**34,679**	**40,859**
Corporation tax at 19.5% (2016: 20.0%)	1,512	8,489	10,001	1,236	6,936	8,172
Effects of:						
Non-taxable capital profits	–	(8,842)	(8,842)	–	(7,229)	(7,229)
Non-taxable income	(1,658)	–	(1,658)	(1,364)	–	(1,364)
Current year expenses not utilised	146	353	499	128	293	421
Overseas tax	885	–	885	673	–	673
Refund of French withholding tax	(502)	–	(502)	–	–	–
Corporation tax payable due to refund of French withholding tax	347	–	347	–	–	–
	730	**–**	**730**	**673**	**–**	**673**

The Company's profit for the accounting year is taxed at the effective rate of 19.5% (2016: 20.0%). The standard rate of corporation tax has been 19.0% since 1 April 2017.

No provision for deferred taxation has been made in the current or prior accounting year. The Company has not provided for deferred tax on capital gains or losses arising on the revaluation and disposal of investments as it is exempt from tax on these items because of its investment trust status. The Company has not recognised a deferred tax asset totalling £2,811,000 (2016: £2,370,000) based on a prospective corporation tax rate of 17.0% (2016: 17.0%). The deferred tax asset arises as a result of having unutilised management expenses and unutilised non-trade loan relationship deficits. These expenses will only be utilised, to any material extent, if the Company has profits chargeable to corporation tax in future because changes are made either to the tax treatment of capital gains made by investment trusts or to the Company's investment profile which require or enable them to be used.

During the year the Company received a refund of French withholding tax of £502,000 with an additional interest amount of £229,000 relating to tax suffered in 2007 and 2008. This may result in an element of these amounts being payable to HMRC as both corporation tax payable and an interest payment thereon. The Company has therefore recognised the net of these amounts totalling £299,000 as income available for distribution to shareholders as a dividend in the current year.

Notes to the Financial Statements (continued)

9 Return per ordinary share

The return per ordinary share is based on the net return attributable to the ordinary shares of £50,559,000 (2016: net return of £40,186,000) and on 20,775,686 ordinary shares (2016: 20,513,466) 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.

	2017 £'000	2016 £'000
Net revenue return	7,024	5,507
Net capital return	43,535	34,679
Net total return	**50,559**	**40,186**
Weighted average number of ordinary shares in issue during the year	20,775,686	20,513,466
Revenue return per ordinary share	33.81p	26.85p
Capital return per ordinary share	209.55p	169.05p
Total return per ordinary share	**243.36p**	**195.90p**

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	2017 £'000	2016 £'000
Final dividend (17.65p) for the year ended 30 September 2015	8 January 2016	5 February 2016	–	3,633
Interim dividend (7.50p) for the year ended 30 September 2016	27 May 2016	28 June 2016	–	1,545
Final dividend (18.90p) for the year ended 30 September 2016	5 January 2017	10 February 2017	3,894	–
Interim dividend (9.00p) for the year ended 30 September 2017	2 June 2017	29 June 2017	1,867	–
			5,761	**5,178**

The final dividend and special dividend for the year ended 30 September 2017 have 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.

	2017 £'000	2016 £'000
Revenue available for distribution by way of dividend for the year	7,024	5,507
Interim dividend (9.00p) for the year ended 30 September 2017 (based on 20,745,261 ordinary shares in issue at 2 June 2017)	(1,867)	–
Final dividend (20.50p) and a special dividend (1.40p) for the year ended 30 September 2017 (based on 21,498,261 ordinary shares in issue at 5 December 2017)	(4,708)	–
Interim dividend (7.50p) for the year ended 30 September 2016 (based on 20,600,761 ordinary shares in issue at 27 May 2016)	–	(1,545)
Final dividend (18.90p) for the year ended 30 September 2016 (based on 20,600,761 ordinary shares in issue at 6 January 2017)	–	(3,894)
Undistributed revenue for Section 1158 purposes	**449**	**68**

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

Notes to the Financial Statements (continued)

11 Investments held at fair value through profit or loss

	2017 £'000	2016 £'000
Cost at 1 October	209,366	200,933
Additions at cost	348,480	250,042
Proceeds of disposal	(331,301)	(247,326)
Realised gains on disposal	45,542	5,717
Cost at 30 September	**272,087**	**209,366**
Investment holding gains at 30 September	43,754	42,736
Valuation at 30 September	**315,841**	**252,102**

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 2017 were £494,000 (2016: £292,000). These comprise mainly stamp duty and commission. Sale transaction costs for the year ended 30 September 2017 were £196,000 (2016: £151,000).

12 Debtors

	2017 £'000	2016 £'000
Amounts receivable within one year:		
Investments sold awaiting settlement	2,673	7,414
Accrued income	–	26
Prepaid expenses	12	9
Overseas withholding tax recoverable	851	520
	3,536	**7,969**

13 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Amounts payable within one year:		
Investments purchased awaiting settlement	1,400	198
Accrued expenses and interest	1,115	608
Taxation payable	347	–
Bank overdraft	45,479	38,289
	48,341	**39,095**

The Company has an uncommitted, secured multi-currency overdraft facility equal to the lesser of £46,800,000 and 25% of net 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 company, 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 Janus Henderson coordinate the Company's risk management and there are various risk management systems in place as detailed below.

- Straight-through processing via a deal order and management system ("OMS") is utilised for listed securities, exchange-traded derivatives and OTC derivatives contracts with connectivity to third-party affirmation and trade repository services.

- Portfolio modelling and investment management functions (including order-raising, dealing and trade execution) are performed using one of, or a combination of, the following third-party software applications: Charles River Development OMS and/or Imagine.

- Fund pricing and accounting services are outsourced to a third-party administrator (currently BNP Paribas Securities Services ("BNP")) which utilises HiPortfolio software.

- The IT tools to which the Janus Henderson risk, compliance and operations teams have access for independent monitoring and risk measurement purposes include:
  - Charles River Compliance module for investment restrictions monitoring;
  - OneSumX (formerly ArcLogics) operational risk database;
  - Riskmetrics for stress-testing and back-testing;
  - UBS Delta, Style Research, FinAnalytica and Barra Aegis for market risk measurement;
  - Bloomberg for market data and price-checking; and
  - HiPortfolio for portfolio holdings and valuations.

These are supplemented by in-house 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 (seen note 14.1.3). The Board reviews and agrees policies for managing these risks. The Fund Manager 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 dependent 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 Europe.

At 30 September 2017, the fair value of the Company's assets exposed to market price risk was £315,841,000 (2016: £252,102,000). 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 25% rise in the value of assets exposed to market risk was mainly attributable to the increase in the market prices of investments, movements in exchange rates 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 the net asset value ("NAV") of the portfolio 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 typical stock weight is 1% of NAV at the time of investment. The largest individual stock at the year end represented 3.43% 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 2017, 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 is increased by over or underweighting industry sectors and, to a lesser extent, country exposures and stock exposures relative to the benchmark, which tends to concentrate risk in those over and underweighted areas.

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 2017, would generate a corresponding increase or decrease in the NAV per ordinary share of 10.8% or £31.6 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 Statement of Financial Position can be significantly affected by currency fluctuations. No hedging of the currency exposure is currently undertaken. Revenue received in currencies other than Sterling is converted into Sterling on, or shortly after, the date of receipt. Whilst the Board and the Fund Manager monitor geographical and currency exposure it is not a key determinant of investment decisions. At the year end, 96.7% (2016: 100.5%) of the Company's net assets were denominated in currencies other than Sterling, the largest proportion being Euro, at 70.7% (2016: 66.9%) of net assets.

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

	2017 £'000	2016 £'000
Monetary assets		
Cash and short-term receivables:		
Euro	2,301	23,461
Swiss franc	17,754	268
Swedish krona	674	–
Danish krone	87	781
Monetary liabilities		
Bank overdraft and short-term payables:		
Euro	(18,254)	(198)
Swiss franc	(57)	(3,480)
Swedish krona	(15,910)	(28,491)
Danish krone	(11,166)	–
Norwegian krone	(1,789)	(2,706)
Non-monetary assets		
Non-current asset investments held at fair value:		
Euro	222,779	135,770
Swiss franc	28,027	54,545
Swedish krona	30,939	42,519
Norwegian krone	7,548	6,527
Danish krone	19,870	9,846
Total	**282,803**	**238,842**

The level of assets exposed to currency risk increased by approximately 18.4% during the year. In common with the exposure to market price risk, this was mainly attributable to increases in the valuation of investments held. 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.

As can be seen from the table above the most significant currency exposures are to the Euro and Swiss francs. Over the financial year to 30 September 2017, Sterling depreciated by 1.8% against the Euro (2016: depreciated by 14.8%) and appreciated by 3.1% against the Swiss franc (2016: depreciated by 14.9%). 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 table overleaf illustrates the Company's sensitivity to movements in exchange rates relative to Sterling. The sensitivity analysis is based on the Company's non-Sterling monetary assets and investments held at the Statement of Financial Position 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 8.8% or £25.7 million (2016: 9.1% or £21.6 million). Revenue return for the forthcoming year would be reduced by £784,000 (2016: £639,000). The effect on capital return would be materially the same as the effect on net assets.

Notes to the Financial Statements (continued)

14 Financial risk management policies and procedures (continued)

14.1.2 Currency risk (continued)

	2017		2016	
	Net assets £'000	Revenue £'000	Net assets £'000	Revenue £'000
Euro	18,802	509	14,458	343
Swiss franc	4,157	96	4,667	122
Other currencies	2,750	179	2,518	174
	25,709	784	21,643	639

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 net 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 net drawn under the facility was £30,969,000 (2016: £39,295,000) and the weighted average interest rate was 1.50% (2016: 1.71%). No hedging of the interest rate is undertaken. At 30 September 2017, there were drawings of £45,479,000 outstanding, of which £45,479,000 were in foreign currencies (2016: £38,289,000 of which £34,640,000 was 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 2017, financial assets and liabilities exposed to floating interest rates were as follows:

	2017 £'000	2016 £'000
Financial assets		
Cash balances	**21,362**	**16,575**
Financial liabilities		
Bank overdraft	(45,479)	(38,289)

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 Fund Manager'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 £46.8 million was drawn from the uncommitted multi-currency overdraft facility (based on the lower of the facility limit or 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 £234,000 (ignoring any exchange rate movements), less than 0.1% of year end net assets.

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 due diligence tests by the Manager's risk management team and by dealing through Janus Henderson with banks authorised by the FCA.

At 30 September 2017, the maximum exposure to credit risk was £24,035,000 (2016: £23,989,000), comprising:

	2017 £'000	2016 £'000
Cash at bank	21,362	16,575
Investments sold awaiting settlement	2,673	7,414

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.

Notes to the Financial Statements (continued)

14 Financial risk management policies and procedures (continued)

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 on 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 the Manager.

At 30 September 2017, the fair value of financial liabilities was £48,341,000 (2016: £39,095,000), comprising:

	2017 £'000	2016 £'000
Due within one month:		
Investments purchased awaiting settlement	1,400	198
Bank overdraft	45,479	38,289
Accrued expenses and interest	1,115	608
Taxation payable	347	–

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 48 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 Fund Manager's perception of market prospects and the investment opportunities available at any particular time.

At the year end there was bank gearing of 8.0% (2016: 6.1%).

14.5 Fair value hierarchy

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 2017 and the previous year as follows:

2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss:				
Quoted equities	315,841	–	–	315,841

2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss:				
Quoted equities	252,102	–	–	252,102

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 their fair value.

Notes to the Financial Statements (continued)

14 Financial risk management policies and procedures (continued)

14.6 Capital management policies and procedures

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

The Company's total capital at 30 September 2017 was of £337,877,000 (2016: £275,840,000) comprising equity share capital of £10,737,000 (2016: £10,371,000), reserves of £281,661,000 (2016: £227,180,000) and a bank overdraft of £45,479,000 (2016: £38,289,000).

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

- the planned level of gearing, which takes into account the Manager'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 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.

15 Called up share capital

	2017 £'000	2016 £'000
Allotted, issued and fully-paid		
21,333,261 (2016: 20,600,761) ordinary shares of 50p each	10,666	10,300
140,730 (2016: 140,730) ordinary shares of 50p each held in Treasury	71	71
	10,737	**10,371**

During the year to 30 September 2017, the Company sold nil (2016: nil) ordinary shares from Treasury, with proceeds of £nil (2016: £nil). The ordinary shares held in Treasury have no voting rights and are not entitled to dividends. During the year to 30 September 2017, the Company issued 732,500 (2016: 750,000) new ordinary shares, with proceeds of £10,049,000 (2016: £7,635,000).

16 Share premium account

	2017 £'000	2016 £'000
Balance brought forward	30,074	22,820
Issue of new ordinary shares	9,683	7,260
Issue costs	–	(6)
Balance at 30 September	**39,757**	**30,074**

Notes to the Financial Statements (continued)

17 Capital reserve

	2017 £'000	2016 £'000
Balance brought forward	89,306	54,627
Gains on disposal of investments	24,925	5,413
Movement in fair value of investments	21,635	31,635
Exchange losses on currency transactions	(1,214)	(906)
Management fee allocated to capital	(1,324)	(1,077)
Interest payable allocated to capital	(487)	(386)
Balance at 30 September	**132,841**	**89,306**

18 Revenue reserve

	2017 £'000	2016 £'000
Balance brought forward	11,189	10,860
Net revenue return for the year after tax	7,024	5,507
Net dividends paid (Note 10)	(5,761)	(5,178)
Balance at 30 September	**12,452**	**11,189**

19 Net Asset Value per ordinary share

The NAV per ordinary share is based on the net assets attributable to the ordinary shares of £292,398,000 (2016: £237,551,000) and on 21,333,261 (2016: 20,600,761) shares in issue on 30 September 2017, excluding Treasury shares.

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

	2017 £'000	2016 £'000
Total net assets at 1 October	237,551	194,914
Net revenue return for the year after tax	50,559	40,186
Issue of new ordinary shares	10,049	7,629
Net dividends paid in the year:		
Ordinary shares	(5,761)	(5,178)
Net assets attributable to the ordinary shares at 30 September	**292,398**	**237,551**

20 Capital commitments and contingent liabilities

There were no capital commitments or contingent liabilities as at 30 September 2017 (2016: nil).

21 Transactions with the Manager and related parties

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

Details of the fee arrangements are given on page 4. During the year the total of the management fees paid or payable under this agreement was £1,765,000 (including a performance fee of £nil) (2016: £1,436,000 (including a performance fee of £nil)). At the Statement of Financial Position date, management fees totalling £476,000 (2016: £386,000) and the performance fee of £nil (2016: £nil) were accrued to be payable to Janus Henderson.

The Manager also provides the Company with sales and marketing services. The total fee payable for these services for the year ended 30 September 2017 (including VAT) amounted to £112,000 (2016: £70,000). At 30 September 2017, £61,000 was outstanding (2016: £21,000).

22 Post Balance Sheet events

The Company has issued 165,000 ordinary shares in the period since the year end to the date of this report.

General Shareholder Information

AIFMD Disclosures

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

BACS

Dividends can be paid by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the registrar. Alternatively, shareholders can write to the registrar, 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.

Common Reporting Standard

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

Equality Act 2010

Copies of this report and other documents issued by the Company are available from the 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.

FATCA

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

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 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 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.

Henderson European Focus Trust plc
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MANAGED BY
Janus Henderson
INVESTORS

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The Association of
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