HENDERSON EUROPEAN FOCUS TRUST PLC

Annual Report 2018

MANAGED BY
Janus Henderson
INVESTORS

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

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

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Total return performance to 30 September 2018

One year

Five years

Premium/(Discount) at year end[4]

Premium/(Discount)[5]

Net assets at year end

Total return NAV and share price performance versus the benchmark[6]

Strategic Report: Performance Highlights (continued)

NAV per ordinary share at year end	Share price at year end
2018 **1,366.57p**	2018 **1,240.00p**
2017 **1,370.62p**	2017 **1,389.00p**

Dividend for year[7]	Dividend yield[8]
2018 **31.00p**	2018 **2.5%**
2017 **29.50p**	2017 **2.1%**

Ongoing charge for year[9]	Gearing at year end
2018 **0.84%**	2018 **5.5%**
2017 **0.87%**	2017 **8.0%**

1 FTSE World Europe ex UK Index on a total return basis in Sterling terms
2 Net Asset Value per ordinary share total return (including dividends reinvested and excluding costs of reinvestment)
3 Share price total return using mid-market closing prices
4 Calculated using published daily NAVs per ordinary share including current year revenue
5 Graph shows the Company's share price discount/premium per ordinary share compared to the AIC Europe sector over the year to 30 September 2018
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 2018 (rebased to 100)
7 Consisting of an interim dividend of 9.50p paid in June 2018 and a recommended final dividend of 21.50p due for payment in February 2019. Excludes the special dividend of 1.40p paid in February 2018 in respect of the year ended 30 September 2017
8 Based on the dividends paid or recommended for the year and the share price at the year end
9 The ongoing charge calculation excludes the performance fee, if payable
Sources: Morningstar for the AIC, Janus Henderson, Datastream
A glossary of terms and Alternative Performance Measures is included on pages 18 and 19

Strategic Report: Business Model

The Company operates as an investment 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 (a combination of income and capital growth) from a portfolio of stocks listed in Europe.

Investment Policy

Asset Allocation

The portfolio is predominantly invested in stocks listed in Continental Europe and has a bias to larger capitalised companies but may, within limits, be invested in the stocks of mid and smaller capitalised companies or in companies listed elsewhere, including UK, providing Continental European exposure.

Stock selection is not constrained by the benchmark and the stock weighting in the portfolio may be materially higher or lower than the weighting of any index used for performance comparisons, including in respect of geographical allocation.

Actual weightings of stocks held in the Company's portfolio are based upon the Manager's views of total return prospects. The portfolio is not constructed with a yield target.

Diversification

The portfolio contains between 45 to 60 stocks with a maximum single stock weighting of 10% of net asset value ("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. The typical minimum stock weight is 1% of NAV.

Continental European listed stocks will consist of not less than 80 per cent of NAV at the time of investment, with the remaining exposure being in stocks listed elsewhere with significant exposure to Continental European economies. The exposure to smaller capitalised stocks at the time of investment is limited to 10% of NAV. (Smaller capitalised companies are considered to be those with a market capitalisation of less than €1 billion.)

Derivatives

The Company may use financial instruments, known as derivatives, for the purpose of investment and for efficient portfolio management for up to 10% of NAV at the time of entering into the contract.

Gearing

The Company can borrow with the aim of achieving a return that is greater than the cost of the borrowing. The Company can borrow up to 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 the lead manager since December 2010.

For the year under review, the base management fee was 0.65% per annum calculated quarterly in arrears on the value of the Company's net assets. The Manager was eligible to receive a performance related fee which could be charged when the NAV per ordinary share total return was better than the benchmark index (the FTSE World Europe ex UK in Sterling terms) total return with a hurdle of 1%. The rate was 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 was carried forward and had to be made up before any further performance fee could be paid.

With effect from 1 October 2018 the Board agreed a revised fee structure. The management fee is 0.65% on assets up to £300m, reducing to 0.55% thereafter and the performance fee element has been removed altogether.

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 2018

Performance

In the financial year to 30 September 2018, the Company produced a net asset value total return per ordinary share of 2.0% (2017: 21.7%) in line with the benchmark total return of 2.0% (2017: 22.7%). The share price total return per ordinary share over the period was -8.6%, as the shares moved from a premium rating to a discount partly reflecting a deterioration in the rating of European equities, which also affected other peer group companies. In addition, as our Fund Manager outlines in his review, this last year has also been a difficult one for stock selection and a number of our smaller and medium sized company exposures have performed poorly. Over the longer term however, the net asset value total return per ordinary share for the five-year period to 30 September 2018 was 79.7% compared with 59.1% for the benchmark.

In the early part of the financial year, whilst the shares traded on a premium, the Company issued 165,000 new shares, raising £2.3m.

Dividend

The Board is recommending a final dividend of 21.50p per ordinary share which, subject to shareholder approval at the AGM, will be paid on 8 February 2019. When added to the interim payment of 9.50p (2017: 9.00p) this brings the full year dividend to 31.00p, an increase of 5.1% (2017: 11.7%) over last year's distribution.

Management fees

The Board is pleased to announce that, following constructive discussions with Janus Henderson, it has been agreed that the annual management fee will be charged at 0.65% of net assets for up to £300m of net assets, and at 0.55% for net assets in excess of £300m, effective from 1 October 2018 (as at 10 December 2018, the Company had net assets of £260.7m).

The former performance fee arrangements (capped at a total fee (inclusive of any performance fee) of 1.3% of net assets payable in any one year) have been removed, and there is no residual amount payable under these arrangements. Whilst the base fee of 0.65% of net assets remains unchanged on net assets of up to £300m, the tiering of the fees will represent a reduction in fees payable over £300m. The management fees continue to include portfolio management, company secretarial and administrative services for the Company.

The Board believes that these are very competitive fee arrangements for the Company and as these changes are supported by your Fund Manager, will continue to provide the requisite incentive for him to perform in both looking after the portfolio and growing the assets of the Company for the benefit of all of its shareholders.

Board changes

We were pleased to welcome Vicky Hastings to the Board as a non-executive director. Her appointment became effective on 1 September 2018. Vicky brings a wealth of investment management experience from her 30 years in the industry and the Board is pleased to recommend her election to shareholders at the upcoming annual general meeting.

The Board has undergone substantial change in the last few years, with a number of departures and new appointments, Vicky and Robin Archibald being the most recent appointees. The Board has been conscious throughout the changes of the importance of continuity in Company experience and knowledge, which largely resides in the Chairman and previous Audit Committee Chairman. The aim is to refresh both these positions, with the transition already complete on the Audit Committee Chairman and serious planning for succession to my role underway. We are very conscious of AIC Code guidance on tenure but remain acutely conscious too of our responsibilities to maintain a balance of experience, skill and continuity on the Board, which is what we aim to achieve in a constructive way. The current intention is to achieve a Board of no more than five fully independent members and having six Board members currently is part of that transition planning.

On behalf of the Board I should like to thank Alec Comba for his outstanding contribution as Audit Committee Chairman. Alec has been an exceptional asset to your Company and has agreed to continue as a director until the Board changes are fully in place over the course of the next twelve months.

Fund Manager

We were also pleased to approve the appointment of Andrew McCarthy as Co-Fund Manager for the Company's portfolio, alongside John Bennett. This follows Janus Henderson's recruitment of Andrew in July 2018 to work alongside John on his European long-only funds and mandates. John will continue to manage the Company's portfolio and we welcome the breadth of experience, and support, which Andrew brings to the European Equities team.

Governance

We note the UK Corporate Governance Code issued by the Financial Reporting Council in July 2018. The Board is in the process of reviewing its governance arrangements in light of the provisions, but I have already undertaken to resign my membership of the Audit Committee. This became effective from 29 November 2018. We further expect to implement such changes as are required by the new AIC Code, following its publication in the near future.

Strategic Report: Chairman's Statement (continued)

Annual General Meeting

The AGM will be held on 30 January 2019 and the Directors will again be seeking to renew the authorities previously granted permitting the allotment and repurchase of the Company's ordinary shares. Details on these resolutions are provided in the enclosed Notice of Meeting. The Board encourages voting participation at the AGM, particularly from private investors, and hopes that those who do not hold their shares directly, but through nominees, will take the time to instruct their nominees to vote on the Company's business.

Outlook

Reading last year's report, investors will have noted that our Fund Manager sounded a cautious tone on the prospects for market direction. That caution appears to have been warranted, based upon market moves of the past twelve months. If one were to focus entirely on politics, it would be hard to adopt any stance other than extreme caution.

Investing in public market equities is forever at the mercy of fashion swings, but we believe that we have grounds for tempering any extreme emotions. Valuation, as well as investor sentiment, gives us grounds for a more constructive approach than is in our view the consensus position towards European equities. As you will see in our Fund Manager's report, he considers these issues and places them in the context of managing your portfolio and selecting individual stocks.

It is worth restating that stock selection is the key guiding principle for managing the portfolio. The macro-economic and political issues will impact on sentiment, valuation and performance but, in the longer term, the success of the portfolio will be determined by investing in good businesses, which is why your Fund Manager remains entirely focused on stock picking in these otherwise challenging market conditions.

Rodney Dennis
Chairman
11 December 2018

Strategic Report: Portfolio Information

Sector exposure at 30 September 2018

	2018 %	2017 %
Consumer goods	25.4	15.1
Industrials	21.0	16.5
Health care	14.7	12.9
Financials	14.5	28.1
Basic materials	8.4	10.1
Technology	7.1	7.5
Oil & gas	5.3	5.1
Telecommunications	1.7	–
Consumer services	1.0	3.1
Utilities	0.9	1.6

Sector overweights/underweights as at 30 September 2018[1]

Currency exposure at 30 September 2018[2]

	2018 %	2017 %
Euro	64.9	72.1
Swiss franc	12.4	9.1
Swedish krona	11.6	10.0
Danish krone	6.7	6.4
Norwegian krone	4.4	2.4

Gearing levels over the year to 30 September 2018

Sources: Janus Henderson and Factset
1 Relative to the benchmark as at 30 September 2018
2 Excludes Sterling balances

Geographic exposure at 30 September 2018

	2018 %	2017 %
Germany	15.2	17.1
Netherlands	12.1	11.7
Switzerland	11.9	8.9
Sweden	11.1	9.8
France	7.8	10.5
Finland	7.0	6.0
Denmark	6.4	6.3
Belgium	5.3	6.2
Italy	4.9	10.6
Norway	4.3	2.4
United Kingdom	4.1	2.1
Spain	3.1	3.3
Portugal	3.0	2.9
Ireland	2.5	1.2
Austria	1.3	1.0

Country overweights/underweights at 30 September 2018[1]

Key performance influences[1]

	%
Return of the portfolio of investments from sector allocation	0.78
from stock selection (including currency effect)	(0.31)
Impact of gearing (net)	0.31
Impact of share issuance	0.09
Impact of ongoing charges	(0.84)
Impact of performance fee	–
Morningstar cum income NAV return relative to the benchmark	**0.03**

Strategic Report: Fund Manager's Report

The Fund Manager, John Bennett, reports on the year to 30 September 2018

As a fund manager I've never been too fond of the idea of "talking up the asset class". In my case this would have meant extolling the virtues of European equities – a hard shift at the best of times. My reluctance hasn't simply been down to the prospect of a daunting shift; it is due to the fact that doing so risks becoming an apologist for a region or an asset class, thereby risking at least some element of self-serving disingenuousness.

It is therefore something of a departure to use the occasion of this report to discuss "Europe", as opposed to limiting the discussion to our own portfolio. The departure is due to what we perceive as the prospect of an inflection point on the horizon.

European and US equities have decoupled since 2011

Source: Datastream, Barclays Research, as at 30 September 2018
Rebased to 100 at January 1980

Let's face it, from an asset allocator's perspective, performance of European equities has been awful. At least, that is the impression we get if we limit ourselves to that superficial measure – "the index". The graph above shows the MSCI Europe Index compared to the S&P 500, rebased to 100 in January 1980. Note the decoupling since around 2011. It will not be lost on readers that this decoupling coincided with the great growth stock boom which has, essentially, humiliated value stocks (and some of their investors!).

Andrew McCarthy was appointed as Co-Fund Manager on 20 September 2018

As if to demonstrate that many investors are trend followers, the next graphic shows, in no uncertain terms, how European equities have fallen out of favour.

Fund flows 2018 (US$b)

Source: EPFR, Barclays Research, as at 30 September 2018

The graph below shows the effects of all of this on one measure of value: the price to book relative to that of US equities. Again, poor cousin status is confirmed.

European price/book relative to USA

Source: Datastream, Barclays Research, as at 30 September 2018

Strategic Report: Fund Manager's Report (continued)

The extinction threatened breed of contrarian or mean reversionist or value investor might, at this juncture, be tempted to take the other side: he or she might plead with a disinterested audience that European equities offer a great investment opportunity. Such temptation is surely understandable when we remind ourselves that, in the world of investing, fashion plays a regular and often cruel role. Right now, it is fashionable to declare that the future belongs to "the disrupters" and the past to "the disrupted". Indeed, one currently popular investor is predicting "a great corporate extinction". There seems no doubt about it: Europe is home to many of these putative relics, dinosaurs and fossils: banks, telecoms, utilities, oil, pharmaceuticals; anyone?

Away from predictions, in the here and now, one can see in the next graph, one clear reason for Europe's underperformance of the US: corporate earnings.

Europe's underperformance "justified" by weaker earnings

Source: Datastream, Barclays Research, as at 30 September 2018
'EPS relative' is the ratio of 12m Fwd EPS for MSCI Europe vs MSCI US

The above, then, sets a scene of apparently interminable and well-justified underperformance by European versus US equities. And yet, a fund manager schooled in a belief that extrapolation is one of the greatest hazards to successful investing finds it terribly difficult to endorse the notion that, in markets, the past ten years is the next ten years. Based upon corporate earnings growth, Europe has deserved to underperform America. Of that there is no doubt. However, it is worth questioning whether the die really is cast.

Tech is 30% of US market cap... but only 6% of Europe

Source: Datastream, Barclays Research, as at 30 September 2018

I imagine some readers will find this graph as interesting as I do. Dear old Europe is home to a paltry number (and value) of technology companies, while America demonstrates its prowess in all things "tech". Those of us with memories of previous boom sectors are reminded that 30% of a mainstream index has tended to mark the peak for such darlings. We are reminded of financials in the US and Europe back in the debt-fuelled, regulation-light, covenant-light days of the mid-2000s. In the UK the period was notable for Gordon Brown's infamous "end to boom-bust", a refrain he was happy to sing as he presided over a banking deregulation, which many believe fanned the flames of that era's debt binge. Politicians have a canny knack of distancing themselves from the scene of the crime: much easier to let the mob bay for "greedy bankers" to deflect attention.

Investors, on the other hand, can rarely do that; we have to live with the consequences. Thus, while Chancellor and then Prime Minister Brown might perhaps look the other way when reflecting on what became of the binging banking behemoths – epitomised, some might say, by his countrymen at RBS – investors who extrapolated puffed up profits were left nursing generational losses. Oh, and taxpayers too.

Returning to today's darlings, we recall that tech itself (then labelled "TMT" or "the new economy") scaled the peaks of 25-30% of indices both sides of the Atlantic back in 1999-2000. There is, of course, nothing to say that tech must stop now, at 30% of American market cap. However, it is worth noting that it has doubled its weighting since 2004. It is also worth noting that 2018 was a record year for IPOs of loss-making businesses in the US equity market. The mean reversionist cannot help but reflect – that is a lot of benefit of the doubt granted to the mooted winners of the future.

The corollary is that little benefit of the doubt is being given to the widely forecast losers. We offer no resistance to the premise that many a physical retailer is unlikely to be with us in a few years' time. Their models are indeed being hollowed out and it is a sector we simply avoid. From America's Sears Robuck to Britain's Debenhams and House of Fraser, the effects of digital disruption and changing consumer behaviours are in plain sight. On the Continent, not even Inditex, owner of the retailer Zara, nor Hennes & Mauritz have managed to tempt us to part with investors' capital. Once considered growth stars these stocks too have lost their shine in recent years. It's not the first and it won't be the last time we've seen growth become value. Fashion, after all.

Yet, in the rush to embrace "the future", we do think some babies have been thrown out with the bathwater: we think here of certain auto parts businesses such as TI Fluid Systems, one of our few UK holdings, whose shares are valuing the business at a paltry 0.7x sales and 5x EBITDA. We know we will require patience.

A further graph is worth contemplating in the context of America's all conquering equities.

Strategic Report: Fund Manager's Report (continued)

Europe never caught the US buyback bug (US$b)

Source: Datastream, Barclays Research, as at 31 March 2018

Europe has never been infused with – nor enthused by – the equity culture so eagerly embraced across the Atlantic. Thus, buybacks have never been that popular on the Old Continent. Nevertheless, emboldened by executive compensation schemes, together with plentiful supplies of low-cost debt, corporate America has gorged itself at the buyback feast. Add to that the bottom-line boost from equity-friendly President Trump's tax reforms and maybe, just maybe, America's stock market boom isn't all down to vastly superior operating models. In other words, sufficient evidence exists to suggest that the age-old inputs – and potential nemeses – of investor crowding (fashion) artificially boosted earnings (cheap money, leverage, buybacks and tax breaks) are at work. As sure as night follows day, those factors will not always be in the investor's favour.

Portfolio

The year under review saw the paper and packaging sector yield good returns for our portfolio via our holdings in Smurfit Kappa (+32.0%) and UPM Kymmene (+53.3%). Having reduced our holding in Smurfit Kappa following the failed bid by International Paper, we note the subsequent share price weakness in the target company. Further weakness may well provide an opportunity to rebuild our exposure. Our holding in Marine Harvest initially tested our patience, since we were temporarily nursing losses as the weak salmon price caused investor jitters in late 2017. Our resolve paid off via a 16.8% share price rise over the year.

Small and mid-cap holdings

In previous Annual Reports we have used this section to laud the contribution made by our small and medium-cap selections. The year under review was more mixed in this department. On the plus side, holdings in Teleperformance (+30.5%), IMCD (+30.7%) and Diasorin (+21.3%) led the pack, while disappointments came in the shape of Tessenderlo (-22.2%), United Internet (-21.4%), Tarkett (-40.7%), Lenzing (-24.3%), Vestas (-21.5%) and Indra (-26.0%). The latter four holdings as well as Teleperformance have been sold.

Notwithstanding a disappointing year in this part of the portfolio, we continue to view small-mid caps as forming a key part of our strategy, as the table below demonstrates.

Region	Portfolio stocks	Portfolio weight[1] %	Benchmark stocks	Benchmark weight %	Active weight %
>€50 billion	11	23.4	18	28.7	(5.3)
€20-50 billion	9	17.7	57	30.3	(12.6)
€10-20 billion	11	19.1	62	15.5	3.6
€5-10 billion	7	11.4	120	15.1	(3.7)
<€5 billion	20	34.1	247	10.4	23.7

1 Excluding cash

Outlook

What has been outlined above is merely a picture: a picture of how we see things at this particular time in markets. Our perspective is inevitably one that is formed by, or even clouded by, a refusal to believe that trees grow to heaven. We are, of course, too chastened by experience to proclaim that a turning point is at hand, that "value" is set to outperform "growth", that the moribund Eurostoxx 50 Index of large caps (which in our opinion is indeed home to some stranded value) is set for a comeback or that wider Europe stands on the verge of outperformance and renewed investor favour.

Of course one ingredient which would turn things in the investment world upside down – and catalyse a resurgence of value stocks – would be the return of inflation. Here, too, we watch from the sidelines, too long in the tooth to make forecasts. But we must stay alive to the prospect.

What we are really saying is that one doesn't need to be a diehard mean reversionist to question the zeitgeist. A combination of investor positioning, the human tendency to extrapolate, a late-stage bull market in US equities and the US economy, not to mention valuation (it never matters until it does) suggest to us that now is not the time to give up on the Old Continent – nor indeed her equities. Now is not the time to abandon a selection of so-called "value" stocks in favour of an all-out "growth" (or momentum) portfolio. Happily, Europe offers an ample selection of both styles and our investment DNA contains the pragmatism necessary to capitalise.

It is in this context that I was happy to take advantage of the Company's widened discount (that fashion thing again) to increase my personal holding, which now stands at 333,084 shares.

Lastly, we strengthened our investment personnel substantially during the year, which included the appointment of Andrew McCarthy as Co-Fund Manager. I look forward to working with all of them in a freshly invigorated wider team and with Andrew as co-manager.

John Bennett
Fund Manager
11 December 2018

Strategic Report: Investment Portfolio as at 30 September 2018

Ranking 2018	Ranking 2017	Company	Sector	Country of listing	Valuation 2018 £'000	Percentage of portfolio
1	4	**Carlsberg**	Beverages	Denmark	15,910	5.13
2	32	**Nokian Renkaat**	Automobiles & Parts	Finland	13,877	4.48
3	14	**SAP**	Software & Computer Services	Germany	11,871	3.83
4	–	**AKZO Nobel**	Chemicals	Netherlands	10,027	3.23
5	1	**Autoliv**	Automobiles & Parts	Sweden	10,019	3.23
6	2	**Nestlé**	Food Producers	Switzerland	9,776	3.15
7	13	**Roche**	Pharmaceuticals & Biotechnology	Switzerland	9,267	2.99
8	8	**Galp Energia**	Oil & Gas Producers	Portugal	9,253	2.98
9	–	**Deutsche Boerse**	Financial Services	Germany	8,573	2.77
10	7	**Tessenderlo**	Chemicals	Belgium	8,458	2.74
		10 Largest			**107,031**	**34.53**
11	23	Trelleborg	Industrial Engineering	Sweden	8,402	2.71
12	–	Lafargeholcim	Construction & Materials	Switzerland	8,221	2.65
13	3	Novartis	Pharmaceuticals & Biotechnology	Switzerland	6,697	2.16
14	16	Bankinter	Banks	Spain	6,588	2.13
15	31	Philips	Health Care Equipment & Services	Netherlands	6,555	2.11
16	54	ASML	Technology Hardware & Equipment	Netherlands	6,426	2.07
17	–	Sanofi	Pharmaceuticals & Biotechnology	France	5,712	1.84
18	–	TI Fluid Systems	Automobiles & Parts	United Kingdom	5,695	1.84
19	17	Merck	Pharmaceuticals & Biotechnology	Germany	5,558	1.79
20	–	Marine Harvest	Food Producers	Norway	5,323	1.73
		20 largest			**172,208**	**55.56**
21	–	TELE2	Mobile Telecommunications	Sweden	5,266	1.70
22	–	Volkswagen	Automobiles & Parts	Germany	4,600	1.48
23	–	Smurfit Kappa	General Industrials	Ireland	4,556	1.47
24	33	Ackermans & Van Haaren	Financial Services	Belgium	4,470	1.44
25	40	Diasorin	Health Care Equipment & Services	Italy	4,364	1.41
26	–	Dometic	Leisure Goods	Sweden	4,242	1.37
27	43	UPM-Kymmene	Forestry & Paper	Finland	4,142	1.34
28	–	Close Brothers	Banks	United Kingdom	4,057	1.31
29	22	Novo-Nordisk	Pharmaceuticals & Biotechnology	Denmark	4,048	1.31
30	11	DNB	Banks	Norway	4,029	1.29
		30 largest			**215,982**	**69.68**
31	47	PostNL	Industrial Transportation	Netherlands	3,935	1.27
32	27	CNH Industrial	Industrial Engineering	Italy	3,932	1.27
33	–	Andritz	Industrial Engineering	Austria	3,931	1.27
34	–	Subsea 7	Oil Equipment Services & Distribution	Norway	3,867	1.25
35	30	Legrand	Electronic & Electrical Equipment	France	3,791	1.22
36	28	Kone	Industrial Engineering	Finland	3,775	1.22
37	46	IMCD	Chemicals	Netherlands	3,725	1.20
38	20	KBC	Banks	Belgium	3,656	1.18
39	9	ABN Amro	Banks	Netherlands	3,645	1.18
40	6	United Internet	Software & Computer Services	Germany	3,645	1.18
		40 largest			**253,884**	**81.92**
41	57	Interpump	Industrial Engineering	Italy	3,591	1.16
42	38	Svenska Handelsbank	Banks	Sweden	3,474	1.12
43	24	Allianz	Nonlife Insurance	Germany	3,403	1.10
44	5	Bayer	Pharmaceuticals & Biotechnology	Germany	3,316	1.07
45	–	Adidas	Personal Goods	Germany	3,263	1.05
46	59	IMA	Industrial Engineering	Italy	3,242	1.05
47	–	Amundi	Financial Services	France	3,113	1.00
48	–	SBM Offshore	Oil Equipment Services & Distribution	Netherlands	3,108	1.00
49	–	LVMH Moet Hennessy Louis Vuitton	Personal Goods	France	3,064	0.99
50	39	Ryanair	Travel & Leisure	Ireland	3,040	0.98
		50 largest			**286,498**	**92.44**
51	–	Amadeus	Support Services	Spain	3,031	0.98
52	–	Atlas Copco	Industrial Engineering	Sweden	3,006	0.97
53	44	Vinci	Construction & Materials	France	2,954	0.95
54	41	Unilever	Personal Goods	United Kingdom	2,945	0.95
55	–	Safran	Aerospace & Defence	France	2,940	0.95
56	–	E.ON	Gas Water & Multiutilities	Germany	2,874	0.93
57	–	Sig Combibloc	General Industrials	Switzerland	2,856	0.92
58	–	Teleperformance	Support Services	France	2,838	0.91
59	–	Euro Stoxx Put Option	Derivatives	Germany	12	0.00
		Total listed equity investments at fair value			**309,954**	**100.00**

All securities are equity investments

Strategic Report: Historical Performance and Financial Information

Cumulative total return performance to 30 September 2018

	1 year %	3 years %	5 years %	10 years %
NAV[1]	2.0	49.3	79.7	219.0
Benchmark[2]	2.0	51.6	59.1	135.0
Share price[3]	(8.6)	35.0	69.4	220.4
AIC Europe sector average[4]	6.4	55.3	76.8	216.4
Ranking in sector[4]	6	6	3	3

(including dividends reinvested and excluding transaction costs)

Total return performance over the 10 years to 30 September 2018 (rebased to100)

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/(loss) p	Total return/(loss) p	Dividend p	Expenses[5] %
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[6]	0.87
2018	**293,790**	**1,366.6**	**1,240.00**	**5,822**	**31.60**	**(4.50)**	**27.10**	**31.00**	**0.84**

1 Net Asset Value per ordinary share with income reinvested
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 Using total expense ratio methodology for 2010 and previous years; ongoing charge methodology thereafter. The methodology for these calculations excludes performance fees
6 Excludes the special dividend of 1.40p per ordinary share paid in respect of the year ended 30 September 2017
Sources: Janus Henderson, Morningstar for the AIC, 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 (Alec) Comba

Position: Senior Independent Director

Date of appointment: 11 November 2003

Alec 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 30 years. He was Head of the Corporate Team at Winterflood Investment Trusts until 2014 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; 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 Majid Al Futtaim Trust LLC and a former non-executive director of Santander UK plc. He was previously an independent member of the board of Moody's Investors Services Limited and its other European subsidiaries.

Eliza Dungworth

Position: Chairman of the Audit Committee

Date of appointment: 1 January 2016 (appointed as Chairman of the Audit Committee on 25 January 2018)

Eliza is a chartered accountant and chartered tax adviser, with a degree in law. She spent 25 years at Deloitte, 15 of those as a partner advising the investment management sector and has a thorough understanding of the accounting, tax and regulatory issues that they face.

Eliza is currently Global Chief Compliance Officer at Fidelity and is a director of the management company responsible for oversight of Fidelity's SICAV funds. She is a member of the Risk and Regulatory Committee of the Investment Association.

Victoria (Vicky) Hastings

Position: Director

Date of appointment: 1 September 2018

Vicky has over 30 years' experience in the investment management industry. Her executive roles included Investment Director at JO Hambro Capital Management; Chief Investment Officer at Merrill Lynch Private Investors; and fund manager in the European teams at both Mercury Asset Management and Kleinwort Benson Investment Management.

She is currently an independent non-executive director of JPMorgan Asset Management UK Limited and JPMorgan Asset Management International Limited, Impax Environmental Markets plc, and the Edinburgh Investment Trust plc. She is a trustee of Moorfields Eye Charity and a former director of Henderson Global Trust plc and Charter European Trust plc.

All Directors are considered by the Board to be independent of the Manager and are members of the Management Engagement Committee and Insider Committee. With the exception of the Chairman of the Board, all directors are members of the Audit Committee.

Strategic Report: Corporate Information (continued)

Registered office

201 Bishopsgate
London EC2M 3AE

Service providers

Alternative Investment Fund Manager

Henderson Investment Funds Limited
201 Bishopsgate
London EC2M 3AE

Depositary and Custodian

HSBC Bank Plc
8 Canada Square
London E14 5HQ

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
ITSecretariat@JanusHenderson.com

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 2018
Ex dividend date	10 January 2019
Dividend record date	11 January 2019
Annual General Meeting[1]	30 January 2019
Final dividend payable	8 February 2019
Half-year results announced	May 2019
Interim dividend payable	June 2019

1 At the Company's registered office at 2.30pm

Information sources

For more information about the Company, visit the website at **www.hendersoneuropeanfocus.com.** This includes factsheets, interviews and contemporary information on the Company and up to date share price and net asset value information.

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.

The Company encourages shareholder participation and voting on the affairs of the Company. Accordingly, shareholders should, if possible, receive the annual accounts and meeting notices of the Company and return their votes at general meetings of the Company or encourage their agents to do so on their behalves, if the shares are not held directly in their own names.

Strategic Report: Corporate Information (continued)

Status

The Company is registered as a public limited company and is an investment company as defined under section 833 of the Companies Act 2006 (the "Act"). It has been approved as an investment trust under section 1158 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 Rules, Prospectus Rules 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 negotiations 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, which remain unchanged during the year under review, are as follows:

Risk	Controls and mitigation
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 typically with strong balance sheets and good growth prospects.
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 any gearing in place 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. In practice, gearing is of a short term nature and tends to fluctuate between zero and ten per cent of net assets depending on the Fund Manager's views of investment opportunities and views on the direction of European markets.
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, principally in the Euro. No hedging of the currency exposure is undertaken. Consequently, exchange rate fluctuations reduce or enhance returns for Sterling based investors.
Operational and regulatory 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. The Board is appraised regularly of impending regulatory changes and monitors closely, through its various agents, the Company's adherence to regulatory requirements, including investment trust status.
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. 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, or recruit, managers for succession purposes in the fullness of time. The Board approved the appointment of a Co-Fund Manager on 20 September 2018.

Strategic Report: Corporate Information (continued)

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 its continuing programme of monitoring risk. In carrying out its 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 at the time the borrowing is assumed. As at 30 September 2018, the facility was drawn down by £13.6 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.

Corporate responsibility

Responsible Investment, voting and the UK Stewardship Code

The Board has delegated responsibility to the Manager for voting the rights attached to the shares held in its portfolio. The Manager does so in line with the provisions of its Responsible Investment Policy (the "RI Policy") which sets out its approach to corporate governance, corporate responsibility and Janus Henderson's compliance with the UK Stewardship Code. The Board reviews the RI Policy at least annually and receives regular reporting on the voting undertaken by the Manager on behalf of the Company.

The Board and the Manager believe that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and

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, NAV total return and share price total return against the FTSE World Europe ex UK index (in Sterling terms) and the AIC Europe sector. The portfolio is not constructed with a yield target.
Discount or premium of share price 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 both allotting shares and to share buy backs, keeping 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, including fees payable to the Manager, but excluding any performance fee if payable.

The charts and tables on pages 2, 3 and 12 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)

performance. Voting recommendations are guided by the best interests of the investee companies' shareholders. The Manager actively votes at shareholder meetings and engages with companies as part of the voting process. Voting decisions are made in consultation with the Fund Manager, with regular dialogue between fund managers and corporate governance specialists.

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 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 14, comply with the provisions of the UK Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017.

Board diversity

The Company's affairs are overseen by a Board currently comprising six non-executive Directors, four male and two female. The Directors bring a range of knowledge and experience covering global and European investment markets, banking and accounting expertise to discussions regarding the Company's business. One of the Company's directors is based in Europe, enabling the Board to remain in touch with sentiment on the Continent. The Board has also retained continuity through its most senior directors, whilst engaging in continuing succession planning, balancing fresh skills and current experience required to cope with changes in the Company.

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

Eliza Dungworth
Director
11 December 2018

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, with effect from 22 July 2013 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.

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 and sellers 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 or seller will tend to depress or increase the price that might be negotiated for a sale or purchase. Investment companies can use allotment or buy back powers to assist the market liquidity in their shares.

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, and available for re-issue under the appropriate circumstances.

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 (see note 9) 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 shareholders' funds (see Statement of Financial Position), dividing this by 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 on a cum and ex income basis.

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. Costs used in the calculation of ongoing charges disclosed in the annual report are on a different basis to those in the ongoing costs calculation prescribed by the Financial Conduct Authority for the production of the Key Information Document ("KID") provided on the Company.

Premium/discount

The amount by which the share price per share (see page 3) of an investment company is either higher (premium) or lower (discount) than the prevailing 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 (see note 9) 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). Dividends paid and payable are set out in note 10.

References to notes and page numbers are in the annual report.

Directors' Report

The Directors present their Report and the audited financial statements of the Company for the year ended 30 September 2018.

The Corporate Governance Report and Audit Committee Report on pages 25 to 30 and General Shareholder Information on page 53 form part of the Directors' Report.

Share capital

As at 30 September 2018 the Company's paid up share capital consisted of 21,638,991 ordinary shares of 50p each, with 140,000 shares held in treasury. Holders of the Company's ordinary shares are entitled to one vote for every share.

At the AGM held on 25 January 2018, shareholders authorised the Directors to allot up to 2,163,899 new ordinary shares. In the financial year to 30 September 2018, 165,000 shares were issued to the Company's brokers, Winterflood Securities Limited, at prices ranging from 1,404.3p – 1,427.0p for total proceeds of £2,320,000 (net of commissions).

Shareholders further authorised Directors to repurchase up to 3,243,685 ordinary shares where the Company's shares were trading at a discount to the net asset value. No shares have been repurchased in the year to 30 September 2018 or to the date of this report.

The authority to allot and repurchase shares will expire at the earlier of 15 months from the date of the passing of the resolution or the next AGM.

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

Holdings in the Company's shares

Declarations of interests in the voting rights of the Company as at 30 September 2018 in accordance with the Disclosure Guidance and Transparency Rules ("DTRs") were as follows:

	% of voting rights
Investec Wealth & Investment	11.98
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, which included 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 22 on page 52.

Annual General Meeting

The AGM will be held on 30 January 2019 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.

Shareholders are encouraged to vote at general meetings of the Company or, if they are unable to attend in person, to return their Form of Proxy to the Company's registrar or voting instruction form through their agent. Copies of the Notice of Meeting can be found on the website.

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

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
11 December 2018

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 13, 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

Eliza Dungworth
Director
11 December 2018

The financial statements are published on **www.hendersoneuropeanfocus.com** which is a website maintained by Janus Henderson. The maintenance and integrity of the website is the responsibility of the Manager.

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

Directors' Remuneration Report

Remuneration Policy

The Remuneration Policy (the "Policy") sets out the principles applied in the remuneration of the Company's Directors. The Policy has been in place since it was approved by shareholders at the AGM held on 25 January 2018.

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 £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, with the next approval due to be sought at the AGM in 2021.

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 will be put to shareholders at the 2019 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 £37,000 for the Chairman, £29,000 for the Chairman of the Audit Committee and Senior Independent Director. All remaining directors were paid £25,000 per annum. Directors' fees were increased with effect from 1 October 2017 and prior to that, were last increased in 2011.

The change was made following a detailed review of fees paid in the closed ended sector, discussions with the Company's brokers and the Manager, taking into account the changed circumstances of the Company since fees were last reviewed in 2011.

Directors' interests in shares (audited)

	Ordinary shares of 50p	
	30 September 2018	1 October 2017
Rodney Dennis	7,515	7,515
Robin Archibald	2,231	2,231
Alexander Comba	5,000	5,000
Alain Dromer	4,500	2,200
Eliza Dungworth	480	480
Victoria Hastings[1]	5,000	–

1 Appointed on 1 September 2018

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 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.

	2018 £	2017 £	Change £
Total remuneration	148,246	117,000	31,246
Ordinary dividends paid during the year	6,750,454	5,760,662	989,792

Directors' Remuneration Report (continued)

Directors' remuneration (audited)

The remuneration paid to the Directors who served during the years ended 30 September 2018 and 30 September 2017 were as follows:

	Year ended 30 September 2018 Total salary and fees £	Year ended 30 September 2017 Total salary and fees £	Year ended 30 September 2018 Taxable benefits £	Year ended 30 September 2017 Taxable benefits £	Year ended 30 September 2018 Total £	Year ended 30 September 2017 Total £
Rodney Dennis[1]	37,000	30,000	–	–	37,000	30,000
Robin Archibald	25,000	21,000	675	–	25,675	21,000
Alexander Comba[2]	29,000	24,000	482	–	29,482	24,000
Alain Dromer	25,000	21,000	1,318	–	26,318	21,000
Eliza Dungworth[3]	27,733	21,000	–	–	27,733	21,000
Victoria Hastings[4]	2,038	–	–	–	2,038	–
Total	**145,771**	**117,000**	**2,475**	**–**	**148,246**	**117,000**

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 Senior Independent Director
3 Chairman of the Audit Committee from 25 January 2018
4 Appointed on 1 September 2018

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 ten-year period ended 30 September 2018 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). Over the same period the net assets of the Company increased from £161.8 million to £293.8 million (an increase of 81.6%).

Statement of voting at AGM

A binding ordinary resolution adopting the Directors' Remuneration Policy was approved at the AGM held on 25 January 2018. The votes cast by proxy in favour of the resolution were 3,863,778 (98.47%), votes cast against the resolution were 53,889 (1.37%) and 6,235 (0.16%) votes were placed at the discretion of the chairman of the meeting to vote. A total of 12,085 votes were withheld. The percentage of votes in favour, against and discretionary excludes the number of votes withheld.

An ordinary resolution adopting the Directors' Remuneration Report was approved at the AGM held on 25 January 2018. The votes cast by proxy in favour of the resolution were 3,884,412 (98.98%), votes against the resolution were 33,803 (0.86%) and 6,235 (0.16%) were placed at the discretion of the chairman of the meeting to vote. A total of 11,538 votes were withheld. The percentage of votes in favour, against and discretionary excludes the number of votes withheld.

For and on behalf of the Board

Eliza Dungworth
Director
11 December 2018

Corporate Governance Report

Applicable corporate governance codes

By virtue of its premium listing on the London Stock Exchange the, Board is required to report on its compliance with the provisions of the UK Corporate Governance Code (the "UK Code") which was issued by the Financial Reporting Council ("FRC") in April 2016. As an investment company, the Board voluntarily reports on its compliance with the provisions of the Code of Corporate Governance issued by the Association of Investment Companies (the "AIC Code"), issued in July 2016. The AIC Code addresses the applicable principles of the UK Code, as well as provisions and recommendations which are of specific relevance to investment 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.

The FRC issued a revised UK Code in July 2018 (the "2018 Code") and a revised AIC Code is expected to be published in the near future. The provisions of the revised codes will not take effect until reporting periods commencing after 1 January 2019.

Copies of the existing AIC Code and the 2018 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 UK Code and believe that the Company has complied with all provisions with the exception of those relating to i) the role of the chief executive, ii) executive directors' remuneration and iii) the need for an internal audit function.

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

The Board

As at the date of this report, the Board comprises six non-executive Directors. Biographical details for each Director are set out on page 13.

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.

The Board meets formally at least five times a year, with additional Board or committee meetings arranged when required. The Directors have regular contact with the Fund Manager and other employees of the Manager in connection with the delivery of company secretarial, sales, marketing and other administrative services. The Board has a formal schedule of matters specifically reserved for its decision, which includes 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 established by the Board, a review of shareholder movements along with any sales or marketing activities undertaken and other reports of an operational nature, including on internal controls and corporate governance issues.

The Board is responsible for reviewing succession planning, the approach on tenure, evaluating the performance of the Board as a whole, its Committees and individual 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. The Board does not consider it appropriate for the Company to have set targets in relation to diversity. Candidates are assessed on merit and 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 Custodian), the day-to-day accounting, company secretarial and administration requirements, and share 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, 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 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. 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.

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.

Corporate Governance Report (continued)

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.

Victoria Hastings was appointed to the Board on 1 September 2018 and will therefore stand for election by shareholders for the first time at the upcoming AGM. Rodney Dennis and Alexander Comba, by virtue of their tenure, offer themselves for annual re-election, and Eliza Dungworth will retire by rotation at the 2019 AGM. She offers herself to shareholders for re-election.

The Articles permit shareholders to remove a Director before the end of their 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 UK 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.

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 companies and the operations of the Manager, including the compliance and risk management frameworks, accounting, sales, 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, and may do so at the expense of the Company.

Directors' insurance and indemnification

Directors' and officers' liability insurance cover is in place which indemnifies the Directors against certain liabilities arising from 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, if any, are reviewed by the Board at least annually.

Meetings

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

	Board	AC	MC	AGM
Number of meetings	**5**	**2**	**1**	**1**
Rodney Dennis	5	2	1	1
Alexander Comba	5	2	1	1
Robin Archibald	5	2	1	1
Alain Dromer	5	2	1	1
Eliza Dungworth	5	2	1	1
Victoria Hastings[1]	1	n/a	1	n/a

1 Appointed on 1 September 2018

Appointment of new director

In line with its previously stated succession programme, Victoria Hastings was appointed as a director with effect from 1 September 2018. Given the size of the Board and nature of the Company, a separate Nomination Committee has not been established. The search process was led by the Senior Independent Director. Following a review of professional search consultancies, Webster Partners Limited was appointed to assist with the recruitment. Webster Partners undertakes no other work for the Company.

Corporate Governance Report (continued)

The skills, knowledge and experience required for the role of the non-executive director was considered and a detailed role specification was drafted. The candidates for consideration were reviewed by the Chairman and Senior Independent Director and a short list for interviews agreed by the entire Board.

A number of candidates met with the Chairman, Senior Independent Director and Chairman of the Audit Committee. Following completion of the interview process, the Board as a whole considered the recommendations from the Directors involved in the interview process. The Board gave consideration to the experience and background of the candidates, the diversity each could bring to the Board and the other commitments of the candidates to ensure that sufficient time could be devoted to the Company's business.

On completion of the process, the Board approved the appointment of Victoria Hastings.

Performance evaluation

The Board conducted a review of its own performance, together with that of its committees and the Chairman. 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 made a significant contribution to the affairs of the Company.

The Senior Independent Director 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.

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

The Board has reviewed the Company's system of internal controls for the financial year ended 30 September 2018. 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

The Company is an investment company, has no employees and delegates all executive activities to third-party service providers, principally among them, the investment manager, Janus Henderson. The Manager's Internal Audit department provides regular reporting to the Board and presents at least annually to the Audit Committee. The Board places reliance on the Company's framework of internal control and the reporting received from the Manager's Internal Audit department, and other specialist functions, in terms of assurance reporting. The Board has therefore concluded that it is not necessary for the Company to have its own internal audit function.

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.

Corporate Governance Report (continued)

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 chartered accountant and for the financial year under review, all of the Directors were members. In line with the provisions of the 2018 Code, the Chairman of the Board resigned his membership of the Committee with effect from 29 November 2018.

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 29 to 30.

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 companies;
- the key clauses of the Investment Agreement, how the Manager had fulfilled these and whether these continued to be appropriate;
- the appropriateness of the current management fee arrangements which led to the adoption of a revised fee arrangement that became effective from 1 October 2018; 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.

Re-appointment of the Manager

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

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
11 December 2018

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 14.

Audit Committee Report

The Chairman of the Audit Committee, Eliza Dungworth, reports on the year to 30 September 2018

A word of thanks...

I was pleased to take over as Chairman of the Audit Committee in January this year. I should like to take the opportunity to thank Alec, whom I take over from, for his many years of service in this role. I hope to match the level of scrutiny which he has brought to the position and, going forward, to position the Committee to best comply with the ever increasing regulatory and governance requirements which are placed on companies in today's business environment.

Role and responsibilities

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.

For the year under review, all Directors were members of the Committee. However, in line with the provisions of the 2018 Code, the Chairman of the Board has resigned his membership with effect from 29 November 2018.

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 applied in the preparation of the Company's financial reporting;
- the level of dividend to be paid in respect of the year ended 30 September 2018;
- 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; and
- the whistle blowing arrangements in place at the Manager enabling staff to raise concerns about possible improprieties in confidence.

Meetings

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

Significant issues

In relation to the Annual Report for the year ended 30 September 2018 the following significant issues were considered by the Committee:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	There is a risk that assets are incorrectly valued or ownership of assets is not secured. Actively traded investments are valued using stock exchange prices provided by third-party pricing providers and the portfolio valuation is 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 40). 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.

Audit Committee Report (continued)

Significant issue	How the issue was addressed
Maintaining internal controls	The Committee carries out the annual assessment of the effectiveness of the Company's internal control and risk management systems by reviewing the framework and summary of the reporting received from its service providers throughout the course of the financial year. The annual assurance report for one of the Company's third-party service providers was qualified by the respective service auditor. The qualification was the result of exceptions identified and investigated by the Committee in respect of the previous financial year, and for which remedial action was underway. The Committee sought confirmation from the Manager that there had been no impact on the Company as a result of the qualification and that the remedial action would be completed within the timescales indicated by the service provider, while the tactical solution continued to be operated in the interim.
Performance fee	The calculation of the performance fee payable to the Manager is reviewed by the Committee to ensure consistency with the Investment Agreement. As was the case for the prior year, no performance fee is payable in respect of the year ended 30 September 2018. Under the new fee arrangement, which became effective from 1 October 2018, the performance fee element has been removed.

Policy on non-audit services

The Company maintains a policy on the provision of non-audit services by the auditor. The Company's auditor will only be considered for non-audit work where this is not prohibited by the current regulations and where it does 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 fifth 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.

The Committee noted that EY undertook no other work for the Company and evaluated the statements provided by the auditor in respect of their independence. Following evaluation, the Committee was satisfied that EY remains independent of the Company and 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 Committee to determine their remuneration, will be proposed at the 2019 AGM.

Fees paid or payable to the auditor are detailed in note 6 on page 43.

For and on behalf of the Board

Eliza Dungworth
Chairman of the Audit Committee
11 December 2018

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 2018 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statement and the related notes 1 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 FRS102 The Financial Reporting Standards applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice ('UK GAAP')).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practices ('UK GAAP') and United Kingdom Accounting Standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- 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 page 15 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 15 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 40 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 16 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions

Overview of our audit approach

Key audit matters	• Incomplete or inaccurate revenue recognition, including classification as revenue or capital items in the income statement. • Incorrect valuation and existence of the investment portfolio. • Incorrect calculation of the performance fee.
Materiality	Overall materiality of £2.94m (2017: £2.93m) which represents 1% of NAV.

Key audit matters

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

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate revenue recognition, including classification as revenue or capital items in the income statement' Special dividends represent dividends paid by investee companies that are additional to the normal or expected dividend cycle for that company. In accordance with the AIC SORP, special dividends can be included within either the revenue or capital columns of the Statement of Comprehensive Income, depending on the commercial circumstances behind the payments. The Directors are required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital'. As such, there is a manual and judgmental element in allocating special dividends between revenue and capital. This year the number of special dividends recognised was 1 (£13k), last year the number was 5 (£1.0m).	• We performed a walkthrough of the Administrator ('Janus Henderson Investors) and Manager's ('Henderson Investment Funds Limited') processes and controls for the recording of investment income. • We agreed a sample of dividends received from the Company's income report to an independent source and to bank statements. • We performed a review of special dividends received and assess the appropriateness of the accounting treatment. • We tested the completeness of special dividends identified through comparing, for a sample of investments, the dividends declared during the year to the list of special dividends. • We performed an analytical review over income versus the benchmark index and foreign exchange market movements for the year. • We reviewed the journal entry listing and corroborate that a sample of entries agree with the income report. • We agreed a sample of dividends paid on investments held during the year from an independent pricing source to the income report. • We agreed a sample of accrued dividends to an independent pricing source, recalculating the amount receivable and agreeing to post year end bank statements.	Based on the work performed, we have no matters to report to the Audit Committee.
Incorrect valuation and existence of the investment portfolio The Company holds a significant portfolio of quoted investments throughout Europe. Quoted investments are valued at bid value at the close of business on the Statement of Financial Position (SOFP) date on the exchange on which the investments are listed. The value of investments held on 30 September 2018 was £310mn (2017: £316mn). There is a risk of incorrect valuation of the investment portfolio, including incorrect application of exchange rate movements and assessment of stock liquidity which could result in the SOFP and Income Statement being materially misstated. There is a risk of assets being misappropriated and the ownership of investments being unsecured.	• We agreed the prices of 100% of the quoted investment portfolio to an independent pricing vendor. • We reviewed the pricing exception reports to assess the liquidity of investments held. • We recalculated the value of quoted investments in foreign currencies to verify the accuracy of the corresponding Sterling balances based upon exchange rates verified to an external source. • We recalculated the fair value movement through performing a book cost reconciliation and agreeing the unrealised gain through to the Income Statement. • We agreed the Company's holdings to independently obtained Custodian and Depositary reports. • We reviewed the reconciliation between the Administrator and Custodian records. • We reviewed the controls report issued by HSBC for exceptions that would impact the accuracy of the Depositary or Custodian records.	Based on the work performed, we have 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	Key observations communicated to the Audit Committee
Incorrect calculation of the performance fee The Performance fee is calculated as 15% of the outperformance above the Company benchmark (FTSE World Europe Ex UK Total Return index) plus a 1% hurdle, subject to any previous underperformance carried forward being made up and subject to a total management plus performance fee cap of 1.3% of average quarterly net assets for the year. There is a risk that the performance fee is not calculated correctly as per the Investment Management Agreement ('IMA') or that the methodology is open to misinterpretation.	• We performed a recalculation of the performance fees based on the calculation methodology set out in the IMA. • We considered the management fee alongside the performance fee to determine whether the total fee charged cap of 1.3% of average net chargeable assets has been met and that any prior year underperformance has been correctly carried forward. • We agreed the benchmark index returns used in the calculation to third party data.	Based on the work performed, we have 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 £2.94 million (2017: £2.92 million), which is 1% (2017: 1%) of NAV. We believe that NAV is a suitable materiality basis as the Company is a listed vehicle.

Performance materiality
On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality, namely £2.20m (2017: £2.20m). We have set performance materiality at this percentage due to an assessed reduced risk of financial misstatement during planning procedures.

Given the importance of the distinction between revenue and capital for the Company we have also applied a separate testing threshold of £0.37m (2017: £0.37m) for the revenue column of the Income Statement, being 5% of the Net return on ordinary activities before taxation.

Reporting threshold
We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.14m (2017: £0.14m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report set out on pages 2 to 30, 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.

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

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 22** – 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 29 to 30** – 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 pages 25 to 28** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Reports 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 Directors' Responsibilities statement set out on page 22, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

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.

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the 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 the 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 in agreeing a sample of revenue journal entries back to the audited income report or through to the corresponding announcements prepared by the Company.
- 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.

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 5 years, covering the years ending 2014 to 2018.
- 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.

Use of our report

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

Ernst & Young LLP

Matthew Price (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
11 December 2018

Notes:

1. The maintenance and integrity of the Henderson European Focus Trust plc website is the responsibility of the Directors (which they have delegated to the Manager); the work carried out by the auditor 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 website.
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 2018 Revenue return £'000	Year ended 30 September 2018 Capital return £'000	Year ended 30 September 2018 Total return £'000	Year ended 30 September 2017 Revenue return £'000	Year ended 30 September 2017 Capital return £'000	Year ended 30 September 2017 Total return £'000
2	(Losses)/gains on investments held at fair value through profit or loss	–	(68)	(68)	–	46,560	46,560
	Exchange gains/(losses) on currency transactions	–	1,075	1,075	–	(1,214)	(1,214)
3	Income from investments	8,705	–	8,705	8,770	–	8,770
4	Other income	1	–	1	229	–	229
	Gross revenue and capital gains	**8,706**	**1,007**	**9,713**	**8,999**	**45,346**	**54,345**
5	Management fee	(466)	(1,398)	(1,864)	(441)	(1,324)	(1,765)
5	Performance fee	–	–	–	–	–	–
6	Other fees and expenses	(573)	–	(573)	(557)	–	(557)
	Net return before finance costs and taxation	**7,667**	**(391)**	**7,276**	**8,001**	**44,022**	**52,023**
7	Finance costs	(192)	(576)	(768)	(247)	(487)	(734)
	Net return before taxation	**7,475**	**(967)**	**6,508**	**7,754**	**43,535**	**51,289**
8	Taxation on net return	(686)	–	(686)	(730)	–	(730)
	Net return after taxation	**6,789**	**(967)**	**5,822**	**7,024**	**43,535**	**50,559**
9	Return per ordinary share	31.60p	(4.50p)	27.10p	33.81p	209.55p	243.36p

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 recognised gains or losses other than those disclosed in the Income Statement.

The notes on pages 40 to 52 form part of these financial statements

Statement of Changes in Equity

Notes	Year ended 30 September 2018	Called up share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Other reserves £'000	Total £'000
	At 30 September 2017	10,737	39,757	132,841	12,452	96,611	292,398
	Net (loss)/return after taxation	–	–	(967)	6,789	–	5,822
	Shares issued	82	2,238	–	–	–	2,320
10	Ordinary dividend paid	–	–	–	(6,750)	–	(6,750)
	At 30 September 2018	**10,819**	**41,995**	**131,874**	**12,491**	**96,611**	**293,790**

Notes	Year ended 30 September 2017	Called up share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Other reserves £'000	Total £'000
	At 30 September 2016	10,371	30,074	89,306	11,189	96,611	237,551
	Net return after taxation	–	–	43,535	7,024	–	50,559
	Shares issued	366	9,683	–	–	–	10,049
10	Ordinary dividend paid	–	–	–	(5,761)	–	(5,761)
	At 30 September 2017	**10,737**	**39,757**	**132,841**	**12,452**	**96,611**	**292,398**

The notes on pages 40 to 52 form part of these financial statements

Statement of Financial Position

Notes		At 30 September 2018 £'000	At 30 September 2017 £'000
	Fixed assets		
11	Investments at fair value through profit or loss	309,954	315,841
	Current assets		
12	Debtors	1,165	3,536
	Cash at bank	34,242	21,362
		35,407	**24,898**
13	**Creditors: amounts falling due within one year**	(51,571)	(48,341)
	Net current liabilities	**(16,164)**	**(23,443)**
	Net assets	**293,790**	**292,398**
	Capital and reserves		
15	Called up share capital	10,819	10,737
16	Share premium account	41,995	39,757
17	Capital reserve	131,874	132,841
18	Revenue reserve	12,491	12,452
19	Other reserves	96,611	96,611
	Shareholders' funds	**293,790**	**292,398**
20	Net asset value per ordinary share	1,366.57p	1,370.62p

These financial statements were approved and authorised for issue by the Board of Directors on 11 December 2018 and were signed on its behalf by:

Eliza Dungworth
Director

The notes on pages 40 to 52 form part of these financial statements

Cash Flow Statement

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Cash flows from operating activities		
Net return before taxation	6,508	51,289
Add back: finance costs	768	734
Losses/(gains) on investments held at fair value through profit or loss	68	(46,560)
(Gains)/losses on foreign exchange	(1,075)	1,214
Taxation paid	(952)	(714)
(Increase)/decrease in debtors	(36)	23
(Decrease)/increase in creditors	(94)	169
Net cash inflow from operating activities*	**5,187**	**6,155**
Cash flows from investing activities		
Sales of investments held at fair value through profit or loss	257,387	336,042
Purchases of investments held at fair value through profit or loss	(247,683)	(347,278)
Net cash inflow/(outflow) from investing activities	**9,704**	**(11,236)**
Cash flows from financing activities		
Issue of new ordinary shares	2,320	10,049
Equity dividends paid	(6,750)	(5,761)
Drawdown of bank overdraft	2,337	7,190
Interest paid	(993)	(396)
Net cash (outflow)/inflow from financing activities	**(3,086)**	**11,082**
Net increase in cash and equivalents	11,805	6,001
Cash and cash equivalents at beginning of period	21,362	16,575
Effect of foreign exchange rates	1,075	(1,214)
Cash and cash equivalents at end of period	**34,242**	**21,362**
Comprising:		
Cash at bank	**34,242**	**21,362**

*Cash inflow from dividends was £7,985,000 (2017: £8,387,000) and cash inflow from interest was £1,000 (2017: £229,000).

The notes on pages 40 to 52 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 14.

The financial statements have been prepared in accordance with the Companies Act 2006, FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, which is effective for periods commencing on or after 1 January 2015, and with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in November 2014 and updated in February 2018 with consequential amendments.

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 FRS102, financial instruments have been accounted for in accordance with Section 11 and 12 of the standard. All of the Company's operations are of a continuing nature.

The preparation of the Company's financial statements 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
Investment purchases are accounted for and initially recognised at the trade date of the acquisition. All investments are designated upon initial recognition as held at fair value through profit or loss. Sales of investments are accounted for 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 caption are transaction costs incurred on the purchase and disposal of assets. 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 presentational 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. 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, the FTSE World Europe ex UK Index on a total return basis in Sterling terms.

(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 applicable 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 tax rates expected to apply based on 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.

(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 less issue costs are taken to equity 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 the repurchase 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 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 capital reserves are split into two components, the capital reserve arising on investments sold and the capital reserve arising on investments held. The following analyses what is accounted for in each of these components.

Capital reserve arising on investments sold
The following are accounted for in this reserve:

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

Capital reserve arising on investments held
The following are accounted for in this reserve:

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

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

Other reserves comprise the following reserves:

- The special distributable reserve was created on 11 July 2007 following the cancellation of the share premium account and the capital redemption reserve at that time and is available to fund market purchases and the subsequent cancellation of own shares;
- 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; and
- The capital redemption reserve represents the nominal value of ordinary shares that have been repurchased and cancelled.

(l) Distributable reserves
The Company's special distributable reserve, capital reserve arising on investments sold and revenue reserve may be distributed by way of a dividend.

2 (Losses)/gains on investments held at fair value through profit or loss

	2018 £'000	2017 £'000
Gains on the sale of investments based on historical cost	11,155	45,542
Revaluation gains recognised in previous years	(18,669)	(20,617)
(Losses)/gains on investments sold in the year based on carrying value at previous Statement of Financial Position date	**(7,514)**	**24,925**
Revaluation gains on investments held at 30 September	7,446	21,635
(Losses)/gains on investments held at fair value through profit or loss	**(68)**	**46,560**

3 Income from investments

	2018 £'000	2017 £'000
Listed investments:		
Overseas dividends	8,309	8,703
UK dividends	396	67
	8,705	**8,770**

Notes to the Financial Statements (continued)

4 Other income

	2018 £'000	2017 £'000
Interest on refund of French withholding tax	–	229
Deposit interest	1	–
	1	**229**

5 Management and performance fees

	2018			2017		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Management fee	466	1,398	1,864	441	1,324	1,765
Performance fee	–	–	–	–	–	–
	466	**1,398**	**1,864**	**441**	**1,324**	**1,765**

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 fees and expenses

	2018 £'000	2017 £'000
Revenue:		
Directors' fees (see Directors' Remuneration Report on page 24)	146	117
Fees payable to the Company's auditors		
– for audit services	29	29
AIC subscriptions	20	21
Directors' and Officers' liability insurance	7	8
Listing fees	43	23
Depositary charges	51	48
Custody charges	53	60
Printing and postage	16	21
Marketing expenses payable to the Manager	89	112
Registrars' fees	46	46
Legal and professional fees	34	61
Other expenses	39	11
	573	**557**

7 Finance costs

	2018			2017		
	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	192	576	768	162	487	649
Interest payable to HMRC due to refund of French withholding tax	–	–	–	85	–	85
	192	**576**	**768**	**247**	**487**	**734**

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

Notes to the Financial Statements (continued)

8 Taxation

(a) Analysis of charge for the year

	Year ended 30 September 2018			Year ended 30 September 2017		
	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	686	–	686	885	–	885
Refund of French withholding tax	–	–	–	(502)	–	(502)
Total taxation for the year	**686**	**–**	**686**	**730**	**–**	**730**

(b) Factors affecting the tax charge for the year

	Year ended 30 September 2018			Year ended 30 September 2017		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Return/(loss) before taxation	**7,475**	**(967)**	**6,508**	**7,754**	**43,535**	**51,289**
Corporation tax at 19.0% (2017: 19.5%)	1,420	(184)	1,236	1,512	8,489	10,001
Effects of:						
Non-taxable capital profits	–	(191)	(191)	–	(8,842)	(8,842)
Non-taxable income	(1,586)	–	(1,586)	(1,658)	–	(1,658)
Current year expenses not utilised	166	375	541	146	353	499
Corporation tax payable due to French withholding tax refund	–	–	–	347	–	347
Overseas tax	686	–	686	885	–	885
Refund of French withholding tax	–	–	–	(502)	–	(502)
	686	**–**	**686**	**730**	**–**	**730**

The UK corporation tax rate is 19.0% (2017 – effective rate of 19.5%). The tax charge for the year is lower than the corporation tax rate.

No provision for deferred tax has been made in the current or prior accounting year. At the period end, after offset against income taxable on receipt, there is a potential deferred tax asset of £3,303,000 (2017: £2,810,000) in relation to surplus management expenses. It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised.

9 Return per ordinary share

The return per ordinary share is based on the net return attributable to the ordinary shares of £5,822,000 (2017: net return of £50,559,000) and on 21,486,843 ordinary shares (2017: 20,775,686) 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.

	2018 £'000	2017 £'000
Net revenue return	6,789	7,024
Net capital (loss)/return	(967)	43,535
Net total return	**5,822**	**50,559**
Weighted average number of ordinary shares in issue during the year	21,486,843	20,775,686
Revenue return per ordinary share	31.60p	33.81p
Capital (loss)/return per ordinary share	(4.50)p	209.55p
Total return per ordinary share	**27.10p**	**243.36p**

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

Notes to the Financial Statements (continued)

10 Dividends paid and payable on the ordinary shares

Dividends on ordinary shares	Record date	Payment date	2018 £'000	2017 £'000
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
Final dividend (20.50p) for the year ended 30 September 2017	5 January 2018	2 February 2018	4,407	–
Special dividend (1.40p) for the year ended 30 September 2017	5 January 2018	2 February 2018	301	–
Interim dividend (9.50p) for the year ended 30 September 2018	1 June 2018	29 June 2018	2,042	–
			6,750	**5,761**

The final dividend for the year ended 30 September 2018 has not been included as a liability in these financial statements. The total dividend payable in respect of the financial year, which forms the basis of the retention test under Section 1158 of the Corporation Tax Act, is set out below.

	2018 £'000	2017 £'000
Revenue available for distribution by way of dividend for the year	6,789	7,024
Interim dividend (9.50p) for the year ended 30 September 2018 (based on 21,498,261 ordinary shares in issue at 1 June 2018)	(2,042)	–
Final dividend (21.50p) for the year ended 30 September 2018 (based on 21,498,261 ordinary shares in issue at 10 December 2018)	(4,622)	–
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) for the year ended 30 September 2017 (based on 21,498,261 ordinary shares in issue at 5 January 2018)	–	(4,407)
Special dividend (1.40p) for the year ended 30 September 2017 (based on 21,498,261 ordinary shares in issue at 5 January 2018)	–	(301)
Undistributed revenue for Section 1158 purposes	**125**	**449**

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

11 Investments held at fair value through profit or loss

	2018 £'000	2017 £'000
Cost at 1 October	272,087	209,366
Additions at cost	248,895	348,480
Proceeds of disposal	(254,714)	(331,301)
Realised gains on disposal	11,155	45,542
Cost at 30 September	**277,423**	**272,087**
Investment holding gains at 30 September	32,531	43,754
Valuation at 30 September	**309,954**	**315,841**

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 2018 were £454,000 (2017: £494,000). These comprise mainly stamp duty and commission. Sale transaction costs for the year ended 30 September 2018 were £113,000 (2017: £196,000).

Notes to the Financial Statements (continued)

12 Debtors

	2018 £'000	2017 £'000
Amounts receivable within one year:		
Investments sold awaiting settlement	–	2,673
Accrued income	34	–
Prepaid expenses	14	12
Overseas withholding tax recoverable	1,117	851
	1,165	**3,536**

13 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Amounts payable within one year:		
Investments purchased awaiting settlement	2,612	1,400
Accrued expenses and interest	796	1,115
Taxation payable	347	347
Bank overdraft	47,816	45,479

The Company has an uncommitted, secured multi-currency overdraft facility equal to the lesser of £46,800,000 and 25% of custody assets with HSBC Bank Plc. The bank overdraft excludes cash held of £34.2m and therefore the net overdrawn position does not breach the terms of the facility. Interest is charged at the bank's fluctuating base rate, plus a margin of 1.25% per annum. Borrowings are repayable on demand.

14 Financial risk management policies and procedures

As an investment trust, the Company invests in equities and other investments for the long term so as to secure its Investment Objective and Policy as stated on page 4. In pursuing its Investment Objective and Policy, the Company is exposed to a variety of financial risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

These financial risks: market risk (comprising market price risk, currency risk and interest rate risk), credit risk, liquidity risk and gearing, and the Directors' approach to the management of these risks, are set out below and have not changed from the previous accounting period. The Board and Janus Henderson coordinate the Company's risk management and there are various risk management systems in place.

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

14.1 Market risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. This market risk comprises market price risk (see note 14.1.1), currency risk (see note 14.1.2) and interest rate risk (see note 14.1.3). The Board reviews and agrees policies for managing these risks. 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 dependant on the valuation of its investments. Consequently, market price risk is the most significant risk to which the Company is exposed. The Company's Investment Objective and Policy require it to invest mainly in listed Continental Europe.

At 30 September 2018 the fair value of the Company's assets exposed to market price risk was £309,954,000 (2017: £315,841,000). The fair value of the investments in the portfolio is normally their quoted bid 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.

Notes to the Financial Statements (continued)

14 Financial risk management policies and procedures (continued)

14.1.1 Market price risk (continued)

The Company invests in a diversified portfolio of investments. In accordance with the Company's Investment Objective and Policy the portfolio contains between 45 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 stock weight is 1% of NAV at the time of investment. The largest individual stock at the year end represented 5.13% 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 2018 the Company had less than 1% exposure to such instruments.

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 2018 would generate a corresponding increase or decrease in the NAV per ordinary share of 10.5% or £31.0 million (2017: 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 99.2% (2017: 96.7%) of the Company's net assets were denominated in currencies other than Sterling, the largest proportion being the Euro, at 73.4% (2017: 70.7%) 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:

	2018 £'000	2017 £'000
Monetary assets		
Cash and short-term receivables:		
Euro	22,659	2,301
Swiss franc	12,562	17,754
Swedish krona	–	674
Danish krone	173	87
Monetary liabilities		
Bank overdraft and short-term payables:		
Euro	(7)	(18,254)
Swiss franc	(2,620)	(57)
Swedish krona	(21,897)	(15,910)
Danish krone	(10,529)	(11,166)
Norwegian krone	(6,162)	(1,789)
Non-monetary assets		
Non-current asset investments held at fair value:		
Euro	192,853	222,779
Swiss franc	36,817	28,027
Swedish krona	34,409	30,939
Norwegian krone	13,219	7,548
Danish krone	19,958	19,870
Total	**291,435**	**282,803**

The level of assets exposed to currency risk increased by approximately 3% during the year. 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.

Notes to the Financial Statements (continued)

14 Financial risk management policies and procedures (continued)

14.1.2 Currency risk (continued)

The following table illustrates the Company's sensitivity to movements in exchange rates relative to Sterling. The sensitivity analysis is based on the Company's non-Sterling monetary net 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.

	2018		2017	
	Impact on net assets £'000	**Impact on revenue return £'000**	**Impact on net assets £'000**	**Impact on revenue return £'000**
Euro	19,591	426	18,802	509
Swiss franc	4,251	95	4,157	96
Other currencies	2,652	248	2,750	179
	26,494	**769**	**25,709**	**784**

The effect on capital return would be materially the same as the effect on net assets.

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.

14.1.3 Interest rate risk

The Company finances part of its activities through the use of a secured uncommitted multi-currency overdraft facility provided by HSBC Bank Plc equal to the lesser of £46,800,000 and 25% of custody assets. Interest rates are set at the time drawings are made based on the bank's base rate, plus a margin of 1.25% per annum. During the year, the maximum drawn under the facility (net of cash) was £24,119,000 (2017: £30,969,000) and the weighted average interest rate was 1.54% (2017: 1.50%). No hedging of the interest rate is undertaken. At 30 September 2018 there were drawings of £47,816,000 outstanding, of which £38,550,000 were in foreign currencies (2017: £45,479,000 of which £45,479,000 was in foreign currencies). The overdraft limit is considered to be the net of positive and negative cash balances.

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 2018, financial assets and liabilities exposed to floating interest rates were as follows:

	2018 £'000	**2017 £'000**
Financial assets		
Cash balances	**34,242**	**21,362**
Financial liabilities		
Bank overdraft	(47,816)	(45,479)

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 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.

Notes to the Financial Statements (continued)

14 Financial risk management policies and procedures (continued)

14.2 Credit risk

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

At 30 September 2018, the maximum exposure to credit risk was £34,242,000 (2017: £24,035,000), comprising:

	2018 £'000	2017 £'000
Cash at bank	34,242	21,362
Investments sold awaiting settlement	–	2,673

The Company is exposed to credit risk through its cash position. Bankruptcy or insolvency of banks may cause the Company's rights with respect to cash held by banks to be delayed or limited. The Company's cash balances are held by its custodian, HSBC Bank Plc. The Directors believe the counterparty is of high credit quality and, therefore, the Company has minimal exposure to credit risk.

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

14.3 Liquidity risk

Liquidity risk is the possibility of the Company failing to realise sufficient assets to meet its financial obligations. The Company minimises this risk by having a bias to larger capitalised companies, by investing in listed companies and by ensuring that it has adequate cash and credit facilities in place to meet its obligations. The Company's liquidity is mostly held in Euros, almost entirely 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 2018, the fair value of financial liabilities was £51,571,000 (2017: £48,341,000), comprising:

	2018 £'000	2017 £'000
Due within one month:		
Investments purchased awaiting settlement	2,612	1,400
Bank overdraft	47,816	45,479
Accrued expenses and interest	796	1,115
Taxation payable	347	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 5.5% (2017: 8.0%).

Notes to the Financial Statements (continued)

14 Financial risk management policies and procedures (continued)

14.5 Fair value hierarchy

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

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

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

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

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

2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss:				
Quoted equities	309,942	–	–	309,942
Euro Stoxx options	–	12	–	12
Total	**309,942**	**12**	**–**	**309,954**

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
Total	**315,841**	**–**	**–**	**315,841**

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.

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 2018 was £341,606,000 (2017: £337,877,000) comprising equity share capital of £10,819,000 (2017: £10,737,000), reserves of £282,971,000 (2017: £281,661,000) and a bank overdraft of £47,816,000 (2017: £45,479,000).

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

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

Notes to the Financial Statements (continued)

15 Called up share capital

	2018 £'000	2017 £'000
Allotted, issued and fully-paid		
21,498,261 (2017: 21,333,261) ordinary shares of 50p each	10,748	10,666
140,730 (2017: 140,730) ordinary shares of 50p each held in treasury	71	71
	10,819	**10,737**

During the year to 30 September 2018, the Company sold nil (2017: nil) ordinary shares from treasury, with proceeds of £nil (2017: £nil). The ordinary shares held in treasury have no voting rights and are not entitled to dividends. During the year to 30 September 2018, the Company issued 165,000 (2017: 732,500) new ordinary shares, with proceeds of £2,320,000 (2017: £10,049,000).

16 Share premium account

	2018 £'000	2017 £'000
Balance brought forward	39,757	30,074
Issue of new ordinary shares	2,238	9,683

17 Capital reserve

	2018			2017		
	Capital reserve arising on investments sold £'000	Capital reserve arising on investments held £'000	Capital reserves total £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on investments held £'000	Capital reserves total £'000
Balance brought forward	89,088	43,753	132,841	46,571	42,735	89,306
Transfer on disposal of investments	18,669	(18,669)	-	20,617	(20,617)	-
Movement in fair value of investments	(7,514)	7,446	(68)	24,925	21,635	46,560
Exchange gains/(losses) on currency transactions	1,075	–	1,075	(1,214)	–	(1,214)
Management fee allocated to capital	(1,398)	–	(1,398)	(1,324)	–	(1,324)
Interest payable allocated to capital	(576)	–	(576)	(487)	–	(487)
Balance at 30 September	**99,344**	**32,530**	**131,874**	**89,088**	**43,753**	**132,841**

18 Revenue reserve

	2018 £'000	2017 £'000
Balance brought forward	12,452	11,189
Net revenue return for the year after tax	6,789	7,024
Net dividends paid (note 10)	(6,750)	(5,761)
Balance at 30 September	**12,491**	**12,452**

19 Other reserves

	2018				2017			
	Special distributable reserve £'000	Merger reserve £'000	Capital redemption reserve £'000	Total £'000	Special distributable reserve £'000	Merger reserve £'000	Capital redemption reserve £'000	Total £'000
Balance brought forward	25,846	61,344	9,421	96,611	25,846	61,344	9,421	96,611
Balance at 30 September	**25,846**	**61,344**	**9,421**	**96,611**	**25,846**	**61,344**	**9,421**	**96,611**

Notes to the Financial Statements (continued)

20 Net Asset Value per ordinary share

The NAV per ordinary share is based on the net assets attributable to the ordinary shares of £293,790,000 (2017: £292,398,000) and on 21,498,261 (2017: 21,333,261) shares in issue on 30 September 2018, excluding treasury shares.

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

	2018 £'000	2017 £'000
Total net assets at 1 October	292,398	237,551
Net return for the year after tax	5,822	50,559
Issue of new ordinary shares	2,320	10,049
Dividends paid in the year	(6,750)	(5,761)
Net assets attributable to the ordinary shares at 30 September	**293,790**	**292,398**

21 Capital commitments and contingent liabilities

There were no capital commitments or contingent liabilities as at 30 September 2018 (2017: nil).

22 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 Group Plc ("Janus Henderson") to provide investment management, accounting, administrative and secretarial services. Janus Henderson has contracted with BNP Paribas Securities Services Limited to provide accounting and administrative services.

Details of the fee arrangements applicable to the year under review are given on page 4, along with a description of the new fee arrangements which became effective from 1 October 2018. During the year the total of the management fees paid or payable under this agreement was £1,864,000 (including a performance fee of £nil) (2017: £1,765,000 (including a performance fee of £nil)). At the Statement of Financial Position date, management fees totalling £477,000 (2017: £476,000) and the performance fee of £nil (2017: £nil) were accrued to be payable to Janus Henderson. Under the new fee arrangements, the performance fee element has been removed.

The Manager also provides the Company with sales and marketing services. The total fee payable for these services for the year ended 30 September 2018 (including VAT) amounted to £89,000 (2017: £112,000). At 30 September 2018 £37,000 was outstanding (2017: £61,000).

Details of fees paid to Directors are included in the Directors' Remuneration Report on page 24 and in note 6 on page 43.

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, the AIFMD Disclosures, 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 14), to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

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

Equality Act 2010
Copies of this report and other documents issued by the Company are available from the Corporate Secretary. If needed, copies can be made available in a variety of formats, including Braille or larger type as appropriate.

You can contact the registrar 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.

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

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

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.

Packaged Retail and Insurance-based Investment Products Regulation ("PRIIPs")/ Key Information Document
Investors should be aware that the PRIIPs Regulation requires the Manager, as the PRIIP manufacturer, to prepare a key information document ("KID") in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available on the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by law and will indicate different cost numbers than those provided in the Company's financial statements. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

Performance details/share price information
Details of the Company's share price and NAV per 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.

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.

Henderson European Focus Trust plc
Registered as an investment company in England and Wales with registration number 427958
Registered office: 201 Bishopsgate, London EC2M 3AE

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London Stock Exchange (TIDM) Code: HEFT
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INVESTORS

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