Annual Report 2021

TR European Growth Trust PLC

MANAGED BY Janus Henderson INVESTORS

Our purpose is to deliver a long-term sustainable return to shareholders from investing in smaller and medium sized European companies.

Front cover:
TKH, 1.8% of the portfolio
A technology company focused on innovative technologies in high growth business markets.

Strategic Report

Governance

Financial Statements

Additional information

Performance highlights at 30 June

NAV per share at year end[1, 4]

2021 1,677.70p

2020 1,044.48p

Share price at year end

2021 1,485.00p

2020 844.00p

Dividend for year[2]

2021 25.00p

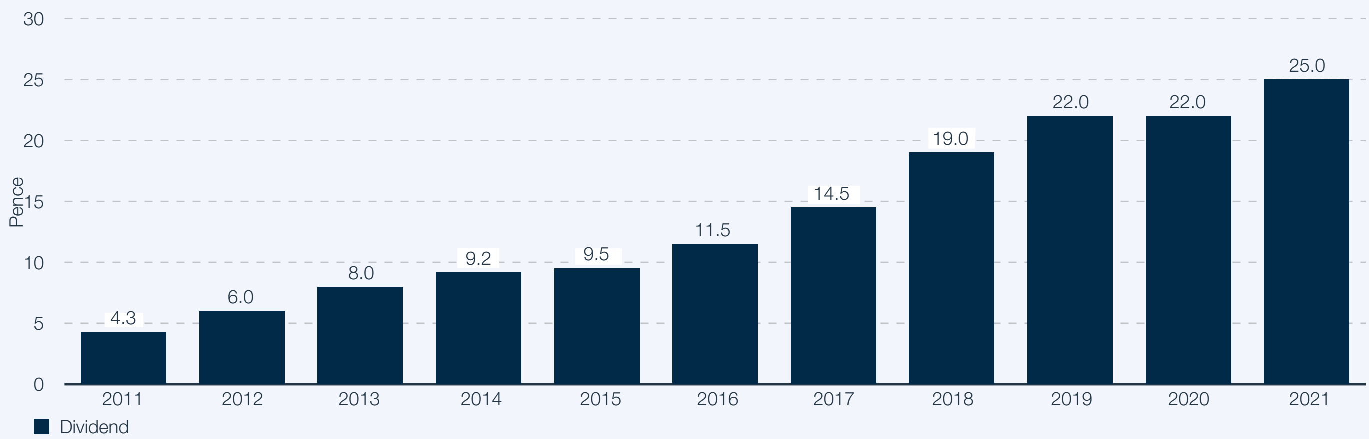
2020 22.00p

Ongoing charge for year[3, 4]

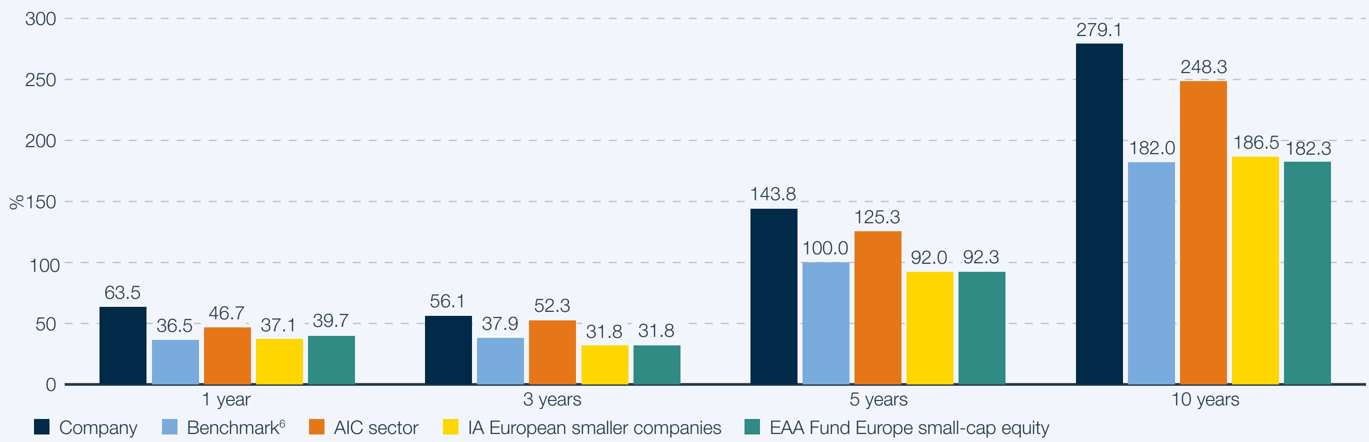
2021 0.71%

2020 0.73%

Dividends paid



Total return performance[5]



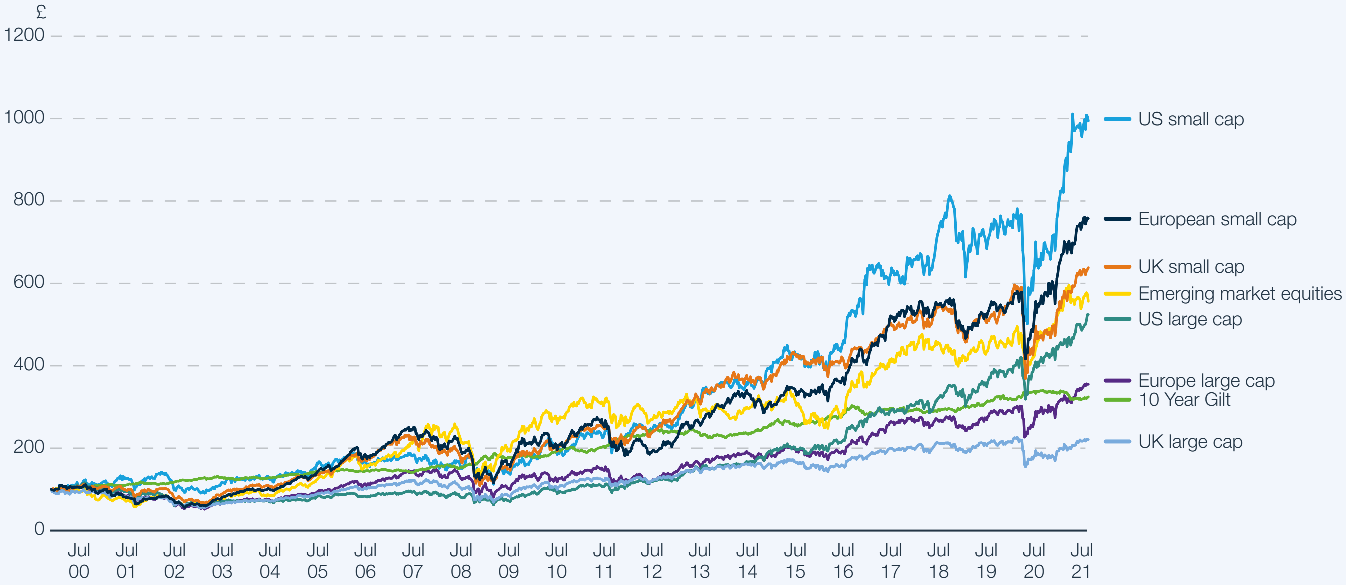
1 Net asset value ('NAV') per ordinary share
2 Includes the interim dividend paid on 23 April 2021 and final dividend recommended to shareholders for approval
3 Calculated using the methodology prescribed by the Association of Investment Companies ('AIC') and excluding the Performance fee
4 The NAV per share and ongoing charge are regarded as Alternative Performance Measures, more information on these can be found on pages 77 and 78
5 NAV total return performance per ordinary share with income reinvested
6 The Euromoney Smaller European Companies (ex UK) Index

Sources: Morningstar Direct, Janus Henderson, Refinitiv Datastream

A glossary of terms can be found on page 79

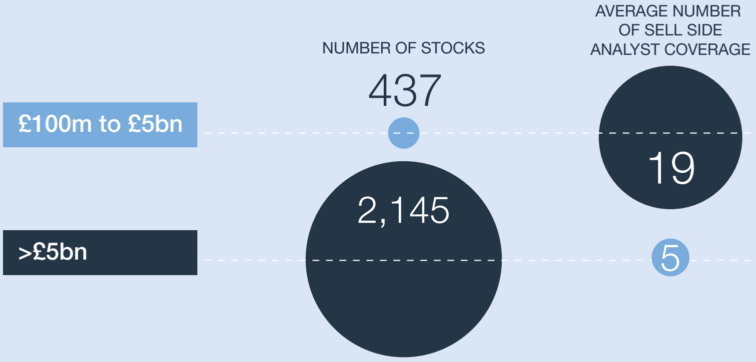
Why invest in small and medium sized European companies?

Smaller companies have historically outperformed



Less well covered area of the market

Europe ex UK



The smaller companies sector is an imperfect market which is ideal for active fund management. It offers exposure to high growth niches such as:

Fintech

Computer gaming

e-commerce

green energy[1]

1 without legacy brown energy

Region is leveraged to an improving economy

Greater growth at a lower valuation

Developed market valuations	Price to book (X)	2022 forecast EPS Growth (%)
US large cap	10.8	16.5
US small cap	7.5	24.6
UK large cap	4.6	15.6
Continental Europe large cap	4.5	16.3
UK small cap	3.8	22.3
Continental Europe small cap	3.7	26.1

Going forward growth will be aided by recovery/green fund

The EU has announced:

‘Next Generation EU’; amounting to €750bn[1]

€390bn grants

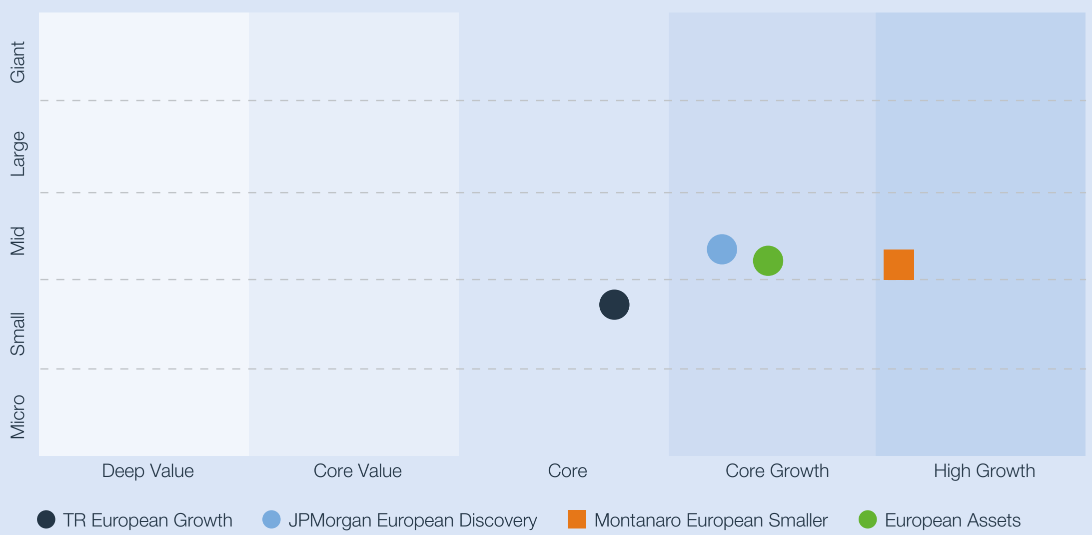
+

€360bn loans

The spending will be focused on digital and green infrastructure. This marks the first-ever mutually financed stimulus programme and lays the framework for a period of greater political stability on the Continent.

A true smaller companies investment proposition offering a balanced portfolio

Holdings-based style trail



Valuation remains relevant

1 Based on 2018 prices
Source: Morningstar Direct

Chairman's statement

"Our Fund Manager's long-held approach of finding high quality and growing businesses in which to invest, but also being valuation aware was a key driver of performance over the year."

The Chairman of the Board, **Christopher Casey** reports on the year to 30 June 2021

Manz, 1.6% of the portfolio
A German multinational engineering company active in the fields of automation, laser processing, metrology, wet chemistry and roll-to-roll processing

Chairman's statement

Performance

Our Company has had a good year. The NAV total return per ordinary share was 63.5%, an outperformance against the benchmark of 27.0%, with a share price total return per ordinary share of 79.5%.

Our Fund Manager's long-held approach of finding high quality and growing businesses in which to invest, but also being valuation aware, was a key driver of performance over the year. The consistency of this approach throughout the market volatility that was caused by the Covid-19 pandemic, laid sound foundations for excellent performance through the recovery.

The revenue generated by the portfolio rose from £9.1m for the year ended 30 June 2020 to £13.5m for the year ended 30 June 2021, despite the European Central Bank continuing to restrict dividend payments from financial services companies. This restriction was lifted in October 2020, but investee companies must continue to seek consent from their respective central banks prior to making dividend payments.

Dividend

Following this performance, the Board is proposing a final dividend of 16.80p to shareholders at the annual general meeting later this year. Together with the interim dividend of 8.20p this brings the total dividend for the year to 25.00p, being an increase of 13.6% on the prior year total dividend.

If approved, the dividend will be paid on 3 December 2021, to shareholders on the register on 22 October 2021.

Strategic review

The Board has devoted considerable time this year to carrying out a strategic review of the Company's investment objective, operations and positioning in the market. Without any doubt, the review concluded that the investment objective and policy continued to meet investors' demands and the Fund Manager's approach to investing was well suited to the objective and the long-term nature of the Company.

However, the review did highlight that more could be done to improve the Company's positioning in relation to the retail investor market. To that end, the Board has decided to make a number of changes which we gauge will assist our marketing teams in bringing the Company's investment proposition to the attention of this growing section of the market. The first of these changes is to rename the Company The European Smaller Companies Trust PLC. The purpose of doing so is to make the Company's investment proposition immediately clear to potential investors. The second change, is to implement an 8:1 share split which will improve the liquidity of the Company's shares and enhance the ability of investors to make more efficient regular monthly investments on share dealing platforms. The third change, reduces the management fee from 0.6% of net assets up to £500m and 0.5% thereafter, to 0.55% of net assets up to £800m and 0.45% thereafter.

With this combination of changes, we aim to increase demand for the Company's shares which will, in turn, narrow the discount achieving a better alignment of the share price and NAV, and therefore be of benefit to all shareholders.

As a matter of operational efficiency, we will also replace the benchmark, currently the Euromoney Smaller European Companies (ex UK) Index with the MSCI Europe ex UK Small Cap Index. Our risk assessment of the two indices has indicated that the change is immaterial and the Fund Manager has confirmed it will have no impact on his investment approach. The change will, though, better align the Company with its peers and improve the quality of the data available to the fund management team on a day-to-day basis. This change will only become effective from 1 July 2022 and will not be retrospectively applied to any fee calculations. The Company's Investment Policy will update in line with the change in benchmark from this date.

Succession planning

When I last provided an update to you on our succession planning, I explained that the Board had asked Andrew Martin Smith to remain as a director for a further year as the Covid-19 pandemic continued to wreak havoc on global economies. We wished to retain his knowledge and experience of the closed end sector as governments and companies navigated their way out of the crisis.

We took stock of the prevailing market conditions when we recently reviewed our succession planning and I can now report that Andrew will be retiring from the Board at the conclusion of the upcoming annual general meeting. I would like to thank Andrew sincerely for his guidance and wisdom. Throughout his time serving our Company, he has made a very significant contribution to important discussions on the Company's performance and the options available. His diligence and thoughtful challenge to the approach taken by the Fund Manager, and Janus Henderson Investors in their wider delivery of services to the Company, has been extremely valuable.

Looking further forward, I can also let you know that Alexander Mettenheimer has indicated his intention to retire from the Board at the annual general meeting due to be held in 2022. We will, of course, review these plans next year and report in more detail to you in due course.

Senior Independent Director

We were pleased to announce the appointment of Simona Heidempergher as the Company's senior independent director with effect from 26 July 2021.

She has a great wealth of asset management experience and is very familiar with the Company's portfolio. In addition, she brings, as do all of our European-based directors, insight into the prevailing sentiment in European markets.

Chairman's statement (continued)

Annual General Meeting

The Company's 31st Annual General Meeting is due to be held on Monday, 29 November 2021 and, Covid-19 restrictions permitting, we look forward to being able to report to our shareholders in person. The meeting will be held at the offices of our investment manager, Janus Henderson Investors, at 201 Bishopsgate, London, EC2M 3AE with proceedings commencing at 12.30 pm. As is our usual practice, voting will take place on a show of hands for those physically present at the meeting.

A copy of the Company's Notice of Meeting has been included with this annual report. We are proposing a number of additional resolutions for shareholder consideration this year which include the share split which I have already mentioned, and the adoption of new articles of association to facilitate the share split, as well as afford us the opportunity to bring them in line with current best practice.

For any shareholders unable to attend, we will be offering you the opportunity to join using the video conferencing software, Zoom. Due to technological restrictions, we are unable to offer voting to those attending via Zoom and therefore encourage all shareholders, particularly those who will not be present in person, to submit their votes by proxy ahead of the deadline to ensure their vote is taken into account.

Outlook

Equity markets and the Company more specifically have had an excellent year as economies bounced back from the darkest days of the Covid-19 pandemic. Our Fund Manager's investment approach – which emphasises the importance of valuation discipline in addition to seeking future growth – has been very beneficial, particularly when the vaccine roll out seemed to have delivered some semblance of normality. Over the summer, concern over Covid-19 variants and a belief that inflation is merely transitory, led to a fall in bond yields. This resulted in high multiple growth stocks providing market leadership again, leading to disappointing performance by the Company.

A global backdrop of increasing GDP and a pick-up in corporate earnings is supportive for European smaller companies. The Fund Manager and I would caution that, as growth inevitably slows post the Covid-19 recovery and the Central Bank liquidity fuelled re-rating wanes, it would be reasonable to expect more modest returns in the medium term.

With the backdrop outlined above and, we think, the heightened risk of inflation in the coming years, we believe the days of stocks trading on ever-higher valuation multiples, justified by no inflation and low bond yields, are coming to an end. Therefore, we remain supportive of our Fund Manager's valuation approach.

The fund management team believes that the growth opportunities offered in the European smaller company space – in areas such as energy transition, companies like Nexans and Friedrich Vorwerk – means that the asset class remains a very attractive investment area with the opportunity to uncover good investments in the years ahead.

Christopher Casey
Chairman
13 October 2021

Fund Manager’s Report

Ollie Beckett
Fund Manager

Rory Stokes
Deputy Fund Manager

Julia Scheufler
Analyst

Outotec, 1.1% of the portfolio
Developer of leading technologies and services for sustainable use of natural resources

Fund Manager's report

Introduction

The financial year ending 30 June 2021 was a period of strong performance for the Company, which generated a total return of 63.5% compared to the benchmark of 36.5%. During this time, a number of very effective vaccines to protect against Covid-19 were produced and, after some initial missteps, efficiently distributed throughout much of the developed world. This offered a pathway out of the pandemic and prompted considerable market optimism. Meanwhile, unprecedented global monetary and fiscal stimulus in response to the pandemic globally, raised concerns around inflation and rising interest rates for the first time since the global financial crisis of 2009. As a result, the market was subjected to a substantial rotation away from growth and into value stocks. Our strategy's strong valuation discipline proved to be an important protection during this period.

Over the period, we noted a change in sentiment towards Europe from an investment perspective. In the US, the election of President Biden incited drama as the result was contested by the outgoing Trump administration. Despite this, the change in regime seems to have ushered in a slightly calmer style of government and the former President's Twitter account no longer serves as a source of market volatility in Europe. The development of mRNA vaccines for Covid-19, highlighted ingenuity in the European technology sector. Important steps were taken to create a fiscal capacity for the European Union and a more coherent banking sector and significant heat was taken out of the soap opera that was the Brexit saga. All this combined to alter the widespread prejudice that Europe was a region that could be ignored by investors.

The more constructive attitude to Europe was combined with an enormous amount of capital market activity. With the huge number of initial public offerings ('IPOs') taking place over the course of the year, we were able to add some solid businesses to the portfolio as a result of the IPO wave. We saw an increase in mergers and acquisitions activity, with many companies being acquired by private equity. It is interesting to note that the companies being acquired by private equity are cash generating and the companies being sold are often high growth and cash consumptive.

The Portfolio

The strategy is to blend a mix of early stage growth stocks with sensibly priced high return structural growth stocks, undervalued cash generative mature names and self-help turnaround stocks. We care intensely about the price that we pay for the cash generated by a company, and while we do not manage a 'value fund', we are acutely valuation aware. Valuation discipline has not been in vogue for most of the last decade, but proved its worth in the last financial year. Our inclusion of early stage high growth names helped the Company in the previous year as many of those stocks found their growth to be turbocharged by Covid-19. This year, the inclusion of self-help turnaround stories and more cyclical value names benefited the performance of the portfolio.

Notable turnaround additions to the portfolio over the period include Swiss-listed specialist manufacturer of highly engineered aerospace parts, **Montana Aerospace**. The company listed in May 2021 to repair its balance sheet and finance acquisitive growth. It has a strong skillset in creating lightweight parts to improve the environmental impact of air travel and we believe it will benefit as global travel begins to re-open. We opened a position in French mail related conglomerate **Quadient**. The core of the business is a letter franking machine business that is in decline, but which offers customer relationships that have been leveraged into digital communication software and a parcel locker business. The company has been through a big transformation that the stock market has not yet fully appreciated and we hope for a substantial rerating in due course.

Additions to the early stage growth names include German listed electronic systems and solutions designer, **Katek**. The company operates with blue chip customers; one example is designing a mobile charging solution for the electric Porsche Taycan. Another early stage German business is **Apontis Pharma**, whose business is to combine multiple off-patent pharmaceuticals to create 'single pills' which have far superior compliance outcomes from patients who require multiple medicines.

In the sensibly priced high return structural growth area, we added names such as Irish-listed **Uniphar**, a provider of pharmaceutical and medtech services. We invested in German energy infrastructure engineer, **Friedrich Vorwerk**, a company that is at the forefront of the green energy transition. We added mature businesses such as German communication equipment manufacturer **Adva Optical Networking**, and Swedish-listed aluminium manufacturer **Granges**, which has exciting exposures to structural growth trends such as electric vehicles and heating, ventilation and air conditioning.

Performance attribution

There were dramatic price moves in some stocks over the course of the financial year ending June 2021, and the Company benefited from owning a handful of stocks that exhibited substantial price increases in that time. German online retailer of furniture and decorative items, **Westwing**, increased by 535.7% over the course of the year, contributing a helpful sum to performance. Similarly, French commerce and marketing technology company **Criteo** increased 297.5% over the course of the year as the extremely cheap valuation unwound with the advent of a new CEO and the urgent need for businesses to get online during the pandemic. Dutch bank and wealth manager **Van Lanschot** increased 66.0% in the period.

Detractors from performance included German pharmaceutical distributor, **Medios**, which struggled to obtain sufficient drug supply due to the pandemic. We felt that valuation was stretched and decided to exit the position. Norwegian electricity distributor, **Fjordkraft**, suffered as rising spot electricity prices squeezed the profitability of their semi-fixed price electricity contracts. Finally, Norwegian

Fund Manager's report (continued)

harvester and producer of krill oil, **Aker Biomarine**, delivered lacklustre performance due to a poor krill harvest and weak sales of oil in South Korea.

Geographical and sector distribution

The investment process is fundamentally one of bottom-up stock picking rather than allocating capital to specific sectors or geographies, although we carefully monitor the overall structure of the portfolio to avoid risky concentrations. We do not use the benchmark as a guide to structure and are content to run the portfolio with substantial divergence from the benchmark.

At a geographical level, the Company is substantially overweight to Germany where we continue to find a good mix of sensibly valued companies and strong growth prospects. In Germany we have added names such as online bicycle and accessories retailer, **Bike24**, and windfarm developer **EnergieKontor**. Other overweight countries include France, the Netherlands and Ireland. We have added global financial advisory specialist, **Rothschild & Co** as well as omnichannel electronics retailer **FNAC Darty** in France. Meanwhile, the Company is underweight in Switzerland, Austria and Sweden where we perceive the markets to be populated with relatively expensive shares.

At a sector level we are overweight in the industrials, financials and consumer goods sectors, and underweight in the real estate and health care sectors. In the industrials space, we have added German supplier of laser-based processing tools **LPKF Laser & Electronics**, as we believe the company's technology in thin film solar modules will increase in uptake. In financials we have added Irish bank, **AIB**, where we believe a combination of cost cutting plans and a far more consolidated market will benefit the company. Finally, we added Danish housebuilder, **HusCompagniet**, within the consumer goods sector.

Other purchases

We added Swedish listed **Media and Games Invest** that publishes video games and provides marketing services to the wider industry. We see both legs of the business having strong synergy benefits from consolidating their respective areas of focus. We added **Grenergy Renovables**, a Spanish listed renewable energy developer that operates in Western Europe and South America. The energy transition is driving a huge demand for renewable energy, which presents a structural growth tailwind for this company.

Other disposals

We exited French semiconductor material producer **SOITEC** having originally invested as a turnaround idea. The company makes silicon-on-insulator, a very power-efficient semiconductor material that is included in a range of 5G applications. The shares had seen a dramatic rerating, but we had concerns that the company may need to invest substantial capital expenditure and that the increasing capitalised development cost was flattening profitability.

We exited our position in Swiss-listed online pharmacy **Zur Rose**, whose shares had performed very strongly after the pandemic boosted online business models, before becoming quite fully valued. We had reservations that the balance sheet looked stretched given the business is loss-making and that the history of substantial mergers and acquisitions might create some digestion issues. We exited our holding in German manufacturer of patent free pharmaceuticals and medical devices, **Dermapharm**, which has been a very profitable investment for the Company. After the company became involved in manufacturing the BioNtech-Pfizer vaccine the shares attained an expensive multiple and we decided to take profit.

Currency

The Company is denominated in Sterling, while investing in largely Euro-denominated assets. We do not hedge this currency exposure.

Outlook

It has become apparent that Covid-19 is unlikely to be entirely eradicated and that society will need to cope with yet another endemic virus forevermore. The advent of multiple vaccines with such high levels of efficacy is a tribute to European science and technology. This offers a route towards something that will seem a lot like normality. The advent of the incredibly transmissible Delta variant seems to suggest that those who don't get vaccinated will acquire immunity through infection. This may well cause problems in the final few months of 2021 as health care systems in the US and some European countries may be stretched. The reappearance of Covid-19 in China may cause further disruption with new lockdowns.

We believe that the policy environment in the US and Europe remains constructive. Monetary policy is relatively loose and fiscal policy, especially in the US, is expansionary. There are notes of caution to be had from the Chinese clamp down on technology companies and efforts to suppress inflation given European smaller companies are largely driven by global growth.

Political leadership in Europe has changed with the retirement of Angela Merkel. A French Presidential election will no doubt be presented as the usual drama in certain parts of the media while cultural tensions between the European Commission and Eastern states such as Poland and Hungary will likely persist. However, the direction of travel on many of the structural issues within the European Union and the Eurozone are moving in the right direction, specifically around fiscal powers and banking union.

Europe is one of the principal drivers of the environmental agenda and we are fortunate in our area of investment focus to be naturally bestowed with companies with strong environmental, social and governance ('ESG') characteristics. However, smaller companies are often less focused on presenting what they do in these areas, and more focused on the operations of their business. This leaves our market

Fund Manager's report (continued)

laden with hidden ESG. We have considerable exposure to companies that can easily benefit from the premium attached to ESG companies once they improve the presentation of their activities. The energy transition is going to be a big factor in the investment world for some time to come, with a shift away from fossil fuels and the internal combustion engine. Significant capital expenditure and research and development will be required and disruptive smaller companies are well placed to take advantage of this shift.

Over the summer the consensual view was that the inflation in the global system was transitory. This led to falling bond yields and a period of disappointing performance for the Company, as high multiple growth stocks outperformed. However, we remain of the view that the prospect of inflation is not adequately reflected in market prices. The rising oil price and the recent surge in the gas price may be a harbinger of this. The expansionary policy environment, bottlenecks in global supply chains and the constraints imposed by Covid-19 are creating inflationary pressures that may be with us longer than many assume. Shortages in the shipping market are coupled with uncertainty as to what the environmental fuel standards mean for investment decisions. Freight costs are unlikely to reduce much in such an environment. Near-shoring in Europe and the US appears to be an increasing theme as a result. All of this abates some of the disinflationary pressure we have seen in recent decades.

After the strong economic recovery following the nadir of the Covid-19 crisis, it is hard to argue that the markets look cheap. There is a very noticeable bifurcation of the market into a subset of incredibly expensive growth stocks and a long tail of more reasonably priced companies. As managers, we have been trying to recycle capital from the expensive into the attractively priced, aiming to find the next stock that will be perceived as a market darling. While the market in general is skewed by the tail of expensive stocks, we feel that the multiples paid on the broader portfolio remain attractive. There continues to be a large number of neglected opportunities for us to pursue and we believe we can continue to deliver value for our shareholders.

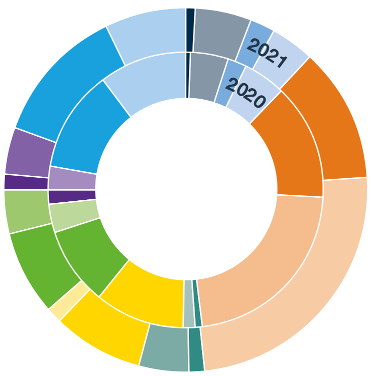
Ollie Beckett, Rory Stokes and Julia Scheufler
13 October 2021

Portfolio Information

Ten largest investments at 30 June 2021

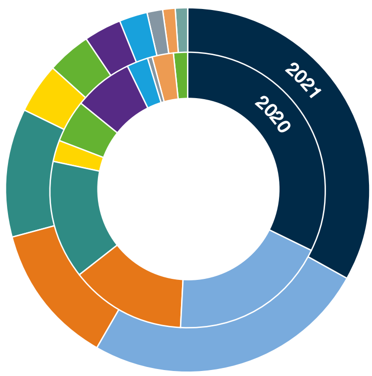
Ranking 2021	Ranking 2020	Company	Principal activities	Geographical area	Valuation 2021 £'000	Percentage of portfolio
1	5	Van Lanschot Kempen	Specialist independent wealth manager that provides private banking, asset management and merchant banking to wealthy individuals and institutions. www.vanlanschot.nl	Netherlands	18,363	2.0
2	19	Recticel	Manufacturer of polyurethane foam for the insulation, bedding, furniture and upholstery and automotive industries. www.recticel.com	Belgium	17,539	1.9
3	1	TKH	Technology company specialising in the development and delivery of systems and networks for the provision of information, telecommunication, electrotechnical engineering and industrial production. www.tkhgroup.com	Netherlands	17,195	1.8
4	2	DFDS	Northern Europe's largest integrated shipping and logistics company. www.dfds.com	Denmark	16,963	1.8
5	31	eDreams ODIGEO	Europe's largest online travel group and distributor of online flights. www.edreamsodigeo.com	Spain	15,307	1.6
6	12	Aareal Bank	Real estate bank providing finance, advisory and other services to commercial property and institutional housing sectors. www.aareal-bank.com	Germany	15,248	1.6
7	73	Manz	Multinational engineering company active in the fields of automation, laser processing, metrology, wet chemistry and roll-to-roll processing. www.manz.com	Germany	14,827	1.6
8	9	BFF Bank	Credit management and specialised financial services for health care providers and public administration. www.bffgroup.com	Italy	14,518	1.6
9	57	Westwing	Company specialising in the home and living e-commerce sector. www.westwing.com	Germany	14,512	1.6
10	32	Kindred	Online gaming business with core markets in Europe and Australia. www.kindredgroup.com	Malta	13,907	1.5
					158,379	**17.0**

Geographic exposure



	2021 %	2020 %		**2021 %**	2020 %
Austria	0.9	0.7	Italy	8.1	10.6
Belgium	4.9	4.3	Malta	1.5	–
Denmark	2.5	2.3	Netherlands	7.6	9.1
Finland	3.7	5.0	Norway	3.8	3.5
France	12.1	13.6	Portugal	1.5	1.6
Germany	24.3	22.4	Spain	4.2	2.6
Greece	1.5	0.6	Sweden	11.9	12.0
Ireland	4.4	1.5	Switzerland	7.1	10.2

Sector exposure



	2021 %	2020 %
Industrials	33.3	32.4
Consumer Discretionary	25.1	18.7
Financials	12.5	13.5
Technology	11.4	13.9
Utilities	4.4	2.6
Consumer Staples	4.0	4.8
Health Care	3.4	7.1
Energy	2.4	2.3
Telecommunications	1.3	0.8
Basic Materials	1.1	2.5
Real Estate	1.1	1.4

Historical Information

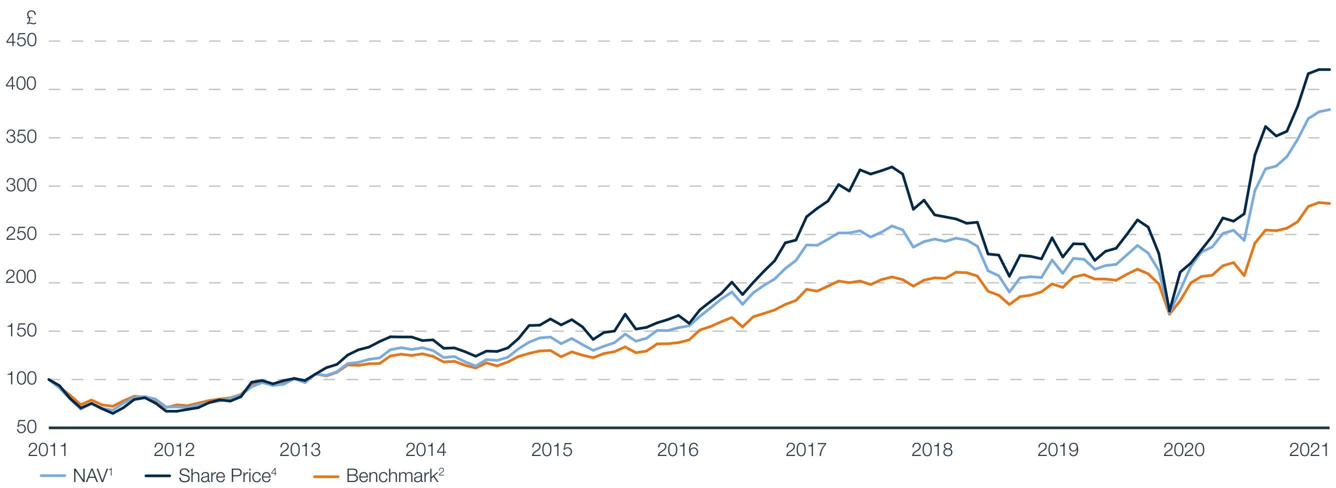
Total return performance to 30 June 2021

(including dividends reinvested and excluding transaction costs)

	1 year %	3 years %	5 years %	10 years %
NAV[1]	63.5	56.1	143.8	279.1
Benchmark[2]	36.5	37.9	100.0	182.0
Average sector[3] NAV	46.7	52.3	125.3	248.1
Share price[4]	79.5	56.8	166.2	320.5
Average sector[5] share price	55.0	52.9	146.0	290.9

Total return performance compared to the benchmark

(assumes the investment of £100 and reinvestment of all dividends)



Financial information

At 30 June	Net assets £'000	NAV per ordinary share p	Mid-market price per ordinary share p	Discount %	Profit/(loss) for year £'000	Revenue return p	Capital return p	Total return p	Final dividend p	Special/ interim dividend[6] p	Expenses %
2012	185,006	370.2	283.00	23.5	(75,149)	6.89	(155.73)	(148.84)	4.50	1.50	0.72
2013	246,124	492.5	409.25	16.9	64,115	9.29	119.00	128.29	6.00	2.00	0.74
2014	325,676	651.7	573.75	12.0	83,548	11.15	156.02	167.17	6.50	2.70	0.69
2015	337,645	675.6	624.00	7.6	16,565	11.34	21.80	33.14	7.00	2.50	0.78
2016	377,683	755.7	620.00	18.0	44,782	13.48	76.12	89.60	9.00	2.50	0.79
2017	569,459	1,145.5	1,071.00	6.5	199,540	17.09	383.67	400.76	11.50	3.00	0.75
2018	574,591	1,146.7	1,020.00	11.0	9,936	22.06	(2.18)	19.88	14.00	5.00	0.71
2019	521,023	1,039.8	892.00	14.2	(42,795)	24.08	(109.49)	(85.41)	14.50	7.50	0.72
2020	523,374	1,044.5	844.00	19.2	13,525	11.94	15.05	26.99	14.20	7.80	0.73
2021	**840,667**	**1,677.7**	**1,485.00**	**11.5**	**328,517**	**20.73**	**634.88**	**655.61**	**16.80**	**8.20**	**0.71**

1 Net asset value ('NAV') total return per ordinary share with income reinvested
2 Euromoney Smaller European Companies (ex UK) Index total return and expressed in Sterling
3 The sector is the AIC European Smaller Companies sector
4 Share price total return including dividends reinvested and using mid-market closing price
5 Average share price for the AIC European Smaller Companies sector
6 An interim dividend has been paid since 2018
Sources: Janus Henderson, Morningstar Direct, Refinitiv Datastream

Business model

Purpose

Our purpose is to deliver a long-term sustainable return to shareholders from investing in smaller and medium sized European companies.

Strategy

Our strategy is to offer investors a cost effective investment proposition which provides access to a professionally and actively managed portfolio of investments. The Company operates as an approved investment trust which allows it to take advantage of the capital gains treatment afforded under section 1158 of the Corporation Tax Act 2010 ('s.1158'). All services are delivered by reputable third-party service providers whose performance is overseen by a Board of Directors (the 'Board'). The Board is comprised entirely of non-executive directors accountable to shareholders, who can remove a director from office where they deem it to be in the interests of the Company. The non-executive directors are independent of the investment manager.

The significant advantages of our business model are its closed end nature, which enables the Fund Manager to remain fully invested, and to use leverage to increase returns for shareholders.

Investment objective

The Company seeks capital growth by investing in smaller and medium sized companies which are quoted, domiciled, listed or have operations in Europe (ex UK).

Investment policy

The following investment ranges apply:

Equities:	80% -100%
Fixed Income and Cash:	0% – 20%

Smaller and medium sized companies are defined as those whose market capitalisation is equal to or below the largest member of the Euromoney Smaller European Companies ex-UK Index at the time of investing.

Investments may include shares, securities and related financial instruments, including derivatives. Unquoted investments are permitted with prior Board approval.

The Company maintains a diversified portfolio. The Company will not invest more than 7% of its total assets, calculated as at the time of investment, in any one holding.

The Company can, but normally does not, invest up to 15% of its gross assets in investment companies (including listed investment trusts). The Company will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of their gross assets in UK listed investment companies.

Derivatives

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

Gearing

Net gearing (defined as all borrowings less cash balances and investments in cash funds) is limited by the Board to a maximum of 30% of net asset value at the time of investment.

With appropriate Board approval, the Company may, but currently does not, hedge against currency movements.

Liquidity and discount management

The Board considers the issuance and buy-back of the Company's shares where prudent, subject always to the overall impact on the portfolio, the pricing of other comparable investment companies and overall market conditions. We believe that flexibility is important and that it is not in shareholders' interests to set specific levels of premium and discount for managing share issuance or share buy-backs.

Investment approach and ESG engagement

The Fund Manager and his team employ a bottom-up stock selection approach in constructing the portfolio and continuously monitor the performance of and risks associated with each holding. The approach is designed to deliver the capital growth set out in the investment objective and outperformance against a passive portfolio or the benchmark.

The process involves screening potential investment opportunities, meeting with management teams to understand their businesses and supplementing this with internal and external research. Understanding the business, the threats to its success, its competitive position and quality of the management team in the context of the valuation of the company are key to determining whether an investment is made and also the size of the investment. For businesses in each phase of the company life cycle, the team has clear attributes and valuation metrics for measuring success and seeking out mispriced securities. This is coupled with a sell discipline to ensure underperforming companies are removed from the portfolio.

The approach to incorporating environmental, social and governance ('ESG') considerations into the stock selection process is pragmatic and focuses on the areas that the fund management team believe are the most material to the long-term success of investee companies. The governance structures within which management operate and the incentives it receives, can determine the success of overall value creation. This can be particularly important when looking at turnaround and recovery situations where management teams are often new to the business and their actions, and calibre, are integral to the investment thesis.

Business model (continued)

In undertaking these assessments, the fund management team accesses the following centralised resources:

- Internal Research Platform: Investment teams share relevant ESG research produced in-house by analysts across a centralised research platform.
- Governance and Responsible Investment team ('GRI team'): The investment team meets and interacts regularly with the internal GRI team to review portfolio ESG risks, obtain additional perspective on issues for an individual company or industry, and to help stay abreast of changing market developments related to ESG.
- External ESG research, data, and ratings: The Manager subscribes to a broad range of specialist external ESG information providers and this information is utilised by the investment team.

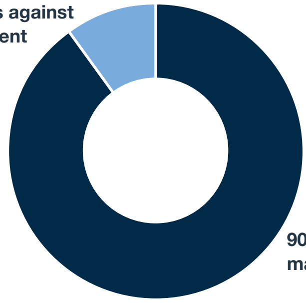
Company engagement forms a further key part of assessing management and their ESG standards.

Responsible investment

The Board believes that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. We have engaged the Manager to consider how best to vote the rights attached to the shares in the Company's portfolio. In adopting this approach, the Board is able to access the expertise of the Manager's GRI team in evaluating engagement by investee companies and the appropriateness of any resolutions which shareholders may be asked to approve. The Board retains oversight of the process by receiving reporting at each meeting indicating how the Company's shares have been voted and by reviewing the Manager's ESG Principles at least annually.

Voting decisions are guided by the best interests of the investee companies' shareholders and made in consultation with the Fund Manager, who has an in-depth understanding of the respective company's operations. Voting decisions are taken in keeping with the provisions of the Manager's ESG Principles, which are available on the Manager's website.

In the period under review, investee companies held 170 general meetings. The level of governance in the developed markets in Europe is generally of a high standard in terms of best practice which meant support in favour of many of the resolutions proposed by management was warranted. However, in respect of 10% of the resolutions proposed, support was not warranted and, following discussion between the Fund Manager and the Manager's GRI team, the shares were voted against the passing of the resolution. For the most part, these resolutions related to the remuneration and independence of directors or undue dilution of shareholders' interests.



Fee 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 to the Company by the Manager's group.

The Manager is engaged under the terms of an agreement effective from 22 July 2014. The agreement is terminable on six months' notice. The fund management team is led by Ollie Beckett, who has been in place since 1 July 2011.

The base management fee was 0.6% of net assets up to £500m, reducing to 0.5% thereafter. With effect from 1 October 2021, the fee structure changed to 0.55% of net assets up to £800m and 0.45% thereafter. Fees are charged quarterly in arrears. The Manager may also be eligible to receive a performance related fee. Performance is measured against, and expressed relative to, the benchmark, the Euromoney Smaller European Companies (ex UK) Index expressed in Sterling. Performance of the Company and the benchmark is measured on a NAV total return (with gross income reinvested) basis and is measured over a rolling three-year period. In any given year in which a performance fee is payable, the rate is 15% of the positive difference between the average annual NAV total return and the average annual total return of the benchmark. The upper limit on the total fee, including the base fee and any performance fee, for any given accounting year is 2.0% of the NAV of the Company as at the last day of the relevant calculation period. A performance hurdle over the benchmark of 1.0% must be reached before any performance fee can be earned and is excluded from the performance fee itself should one be payable. Performance is measured solely on the basis of NAV total return relative to the total return of the benchmark index. No account is taken of whether the NAV grows or shrinks in absolute terms.

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

Business model (continued)

Values and culture

We aim to be viewed by our shareholders as a sound long-term investment. Alongside delivering attractive returns, we believe our shareholders would expect us to act professionally and with integrity, and to treat their investment with the same care we would our own. Accordingly, we bring these values to our deliberations as a Board and seek to build long-term relationships with like-minded and reputable service providers. In particular, we apply this approach to our investment manager as we regard them as our primary partner in fulfilling our purpose.

Promoting the Company's success

We seek to create long-term sustainable value by following four simple steps:

1. Buy the right assets: The Fund Manager and his team maintain a diversified portfolio with strong valuation disciplines. The portfolio comprises investee companies from across the corporate lifecycle, with a mix of early stage growth businesses, sensibly priced quality growth stocks, companies with mature revenue streams and self-help turnaround stories.
2. Using the right team: The Company outsources its operations to third-party service providers. The Board engages high-calibre, reputable service providers with established track records to deliver the day-to-day operations. Their level of service is monitored on an ongoing basis and their continued appointment formally evaluated at least once a year.
3. With the right approach: The Company is a closed end investment vehicle, approved as an investment trust under the Corporation Tax Act 2010. By adopting a closed end structure, we allow the Fund Manager and his team to take a long-term view when making investments, they can remain fully invested as there are no redemptions to meet and they have the ability to use leverage to increase returns for shareholders. This approach provides a cost-effective mechanism for delivering operations whilst allowing the Company to take advantage of the capital gains treatment afforded to approved investment trusts.
4. Overseen with the right governance: The Company's operations are overseen by a Board of Directors. The Board is accountable to the Company's shareholders and are re-elected by them annually. The directors are independent of the investment manager and are selected based on their business experience and personal attributes in order to bring a balance of skills to the oversight of the Company's operations and to ensure that the Manager is appropriately challenged on their decisions.

Engaging with stakeholders

We, as directors, have the success of the Company foremost in our minds when making decisions. Decisions are taken with the aim of achieving our purpose and are based on information provided by a range of sources. The impact on stakeholders is assessed as part of our deliberations, although stakeholders may be affected differently.

The table below sets out the primary ways in which we, as your Board, engage with the Company's key stakeholders.

Stakeholder	Engagement
Shareholders and potential investors	Purpose: • Keep investors updated on the Company's performance. • Promote the Company to new shareholders. How we engage: • Daily NAVs and monthly factsheets are published to keep shareholders up to date with the value of the portfolio. • Meetings with the Fund Manager, members of his team and Board members are offered to shareholders and potential shareholders to provide insight into the portfolio. • Information on the Company and video updates from the Fund Manager are made available on the website and via social media channels with a view to keeping shareholders informed on the positioning of the portfolio. • The half-year report and annual report are published to keep shareholders informed on the Company's financial performance, its governance framework and any current issues. • The Fund Manager provides a presentation to shareholders and analysts following publication of the annual report with a view to providing insight on the Company's performance. • The Manager and corporate broker run a programme of engagement with wealth managers and other professional investors. Outcome: • Shareholders are informed and there is regular demand for the Company's shares.

Business model (continued)

<table>
<tr><th>Stakeholder</th><th>Engagement</th></tr>
<tr><td>Investment manager</td><td>Purpose:
Maintain a close working relationship with the Manager as this is key to achieving the Company's investment objective and promoting the Company to investors.
How we engage:
The Fund Manager and members of his team are invited to each Board meeting to provide an update on the performance of the portfolio and to keep the directors in touch with the Fund Manager's view on the markets and positioning of the portfolio.
The Manager provides data on the key performance indicators at each meeting enabling the directors to measure performance.
The Manager demonstrates compliance with the parameters of the investment mandate at each meeting and provides access to senior managers in the Operational Risk and Internal Audit teams enabling the directors to assess the effectiveness of internal controls in operation.
The heads of the investment trusts Sales and Marketing teams are invited to provide regular presentations to the Board on how the Company is promoted to professional and retail investors.
Outcome:
The Board is confident that the Company's assets are well managed and managed in line with the investment objective, and within the parameters established by the Board.
The Board has a good understanding of how the Company is perceived in the market and whether the investment objective remains relevant in the prevailing market conditions.</td></tr>
<tr><td>Service providers
Corporate broker
Custodian
Depositary
Fund administrator
Registrar</td><td>Purpose:
The Company's day-to-day operations run smoothly.
The directors are aware of any issues which may arise and can ensure that suitable action is taken to address them.
How we engage:
The Board receives regular reporting and presentations from its key third-party service providers throughout the year.
Designated staff at the Manager engage regularly with all third-party service providers through meetings and written reporting, and keep the Board updated with any areas of concern.
The Management Engagement Committee annually reviews the level of services delivered by each service provider and the terms on which they are engaged to ensure that these remain in line with market practice.
Outcome:
The Board is confident in its selection of third-party service providers and maintains good oversight of the Company's operations.</td></tr>
<tr><td>Investee companies and the environment</td><td>Purpose:
The Board has an understanding of the Fund Manager's approach to incorporating environmental, social and governance matters in stock selection.
How we engage:
The fund management team has regular engagement with the management teams of investee companies enabling them to assess performance and governance arrangements.
The shares held in the Company's portfolio are voted at general meetings and appropriate engagement undertaken with investee companies where management proposals are not supported.
Outcome:
The Company is a responsible investor.</td></tr>
</table>

Business model (continued)

Managing risks

Investing, by its nature, carries inherent risk. The Board, with the assistance of the Manager, carries out a robust assessment of the principal and emerging risks and uncertainties facing the Company which could threaten the business model and future performance, solvency and liquidity of the portfolio. A matrix of these risks, along with the steps taken to mitigate them, is maintained and is kept under regular review. The mitigating measures include a schedule of investment limits and restrictions within which the Manager must operate.

Our assessment includes consideration of the possibility of severe market disruption, which this year, focused on the ongoing impact of the Covid-19 pandemic and Europe's ability to continue economic activity. The principal risks which have been identified and the steps we have taken to mitigate these are set out in the table below. We do not consider these risks to have changed during the period.

Principal risk	Mitigating measures
Investment strategy and objective	
The investment objective or policy is not appropriate in the prevailing market or sought by investors, leading to a wide discount and hostile shareholders. Poor investment performance over an extended period of time, driven by either external (political, financial shock, pandemic) or internal factors (poor stock selection), leading to shareholders voting to wind up the Company.	The Manager periodically reviews the Investment Objective and Policy in line with best practice and taking account of investor appetites. The Board receives regular updates on professional and retail investor activity from the Manager, and reports from the corporate broker, to inform themselves of investor sentiment and how the Company is perceived in the market. From time to time, research may be undertaken by a third-party consultant to specifically ascertain the views of retail investors. The Board reviews the Key Performance Indicators ('KPIs') at each meeting and the Fund Manager maintains a diversified portfolio with a view to spreading risk.
Operational	
Failure of, disruption to or inadequate service levels provided by principal third-party service providers leading to a loss of shareholder value or reputational damage.	The Board engages reputable third-party service providers and formally evaluates their performance, and terms of appointment, at least annually. The Audit Committee assesses the effectiveness of internal controls in place at the Company's key third-party services providers through review of their ISAE 3402 reports, quarterly internal control reports from the Manager and monthly reporting on compliance with the investment limits and restrictions established by the Board.
Legal and regulatory	
Loss of investment trust status, breach of the Companies Act 2006, Listing Rules, Prospectus and/or Disclosure Guidance and Transparency Rules or the Alternative Fund Managers Directive and/or legal action brought against the Company and/or directors and/or the investment manager leading to decrease in shareholder value and reputational damage.	The Board engages reputable third-party service providers and formally evaluates their performance, and terms of appointment, at least annually. The Audit Committee assesses the effectiveness of internal controls in place at the Company's key third-party service providers through review of their ISAE 3402 reports and, in respect of the Manager's investment trust operations, reporting from the Manager's internal audit function. The Manager's Compliance function has reporting obligations under AIFMD, with any non-compliance being captured in the Manager's quarterly internal control reporting to the Board.

Business model (continued)

Principal risk	Mitigating measures
Financial Market, liquidity and/or credit risk, inappropriate valuation of assets or poor capital management leading to a loss of shareholder value.	The Board determines the investment parameters and monitors compliance with these at each meeting. The directors review the portfolio liquidity at each meeting and periodically consider the appropriateness of hedging the portfolio against currency risk. The Board reviews the portfolio valuation at each meeting. Investment transactions are carried out by a large number of approved brokers whose credit standard is periodically reviewed and limits are set on the amount that may be due from any one broker, cash is only held with the depositary/custodian or reputable banks. The Board monitors the broad structure of the Company's capital including the need to buy back or allot ordinary shares and the extent to which revenue in excess of that which is required to be distributed, should be retained.

Assessing our viability

In keeping with provisions of the Code of Corporate Governance issued by the Association of Investment Companies (the 'AIC Code'), the Board has assessed the prospects of the Company over a period longer than the 12 months required by the going concern provision.

We consider the Company's viability over a three-year period as we believe this is a reasonable timeframe reflecting the long-term investment horizon for the portfolio, but acknowledges the inherent shorter term uncertainties in equity markets.

As part of the assessment, we have considered the Company's financial position, as well as its ability to liquidate the portfolio and meet expenses as they fall due. The following aspects formed part of our assessment:

- the purpose of the Company continued to be focussed on long-term returns;
- a robust assessment of the principal risks and uncertainties facing the Company had been undertaken and no materially adverse issues had been identified;
- the nature of the portfolio remained diverse and comprised a wide range of stocks which are traded on major international exchanges meaning that, in normal market conditions, three quarters of the portfolio could be liquidated in ten days;
- the closed end nature of the Company which does not need to account for redemptions;
- the level of the Company's revenue reserves and banking facility;
- the expenses incurred by the Company, which are predictable and modest in comparison with the assets and the fact that there are no capital commitments currently foreseen which would alter that position; and
- the next continuation vote for the Company which will take place at the annual general meeting in 2022 and its performance against objectives leading up to this.

As a matter of routine business, shareholders have the opportunity to wind up the Company every three years. In the past, this resolution has readily been passed with the support of the majority of shareholders. The Board supports the continuation of the Company as it offers investors a unique exposure to small and medium sized European companies and has a reasonable expectation that similar resolutions will attract shareholder support in future. However, if such a resolution was not passed, the directors would follow the provisions in the Company's articles relating to the winding up of the assets.

Based on the results of the viability assessment, we have a reasonable expectation that the Company will be able to continue its operations and meet its expenses and liabilities as they fall due for our assessment period of three years. We will revisit this assessment annually and provide shareholders with an update on our view in the annual report.

Business model (continued)

Board diversity

The Board values diversity of opinion and encourages different perspectives to bring constructive challenge to its discussions. Our approach to the appointment of non-executive directors is to always appoint the best person for the role. In doing so, we are mindful of diversity – gender, social and ethnic backgrounds, cognitive and personal strengths, as well as experience – and seek to maintain the balance required to bring effective oversight to the operations of the Company.

Three of our directors are European-based enabling the Board to remain in touch with sentiment on the Continent and our two female directors have extensive European asset management experience. We are cognisant of the recommendations of the Parker Review on ethnic diversity and have incorporated appropriate measures into our ongoing succession planning.

All appointments to the Board are based on objective criteria and merit and are made following a formal, rigorous and transparent process.

For and on behalf of the Board

Daniel Burgess
Director
13 October 2021

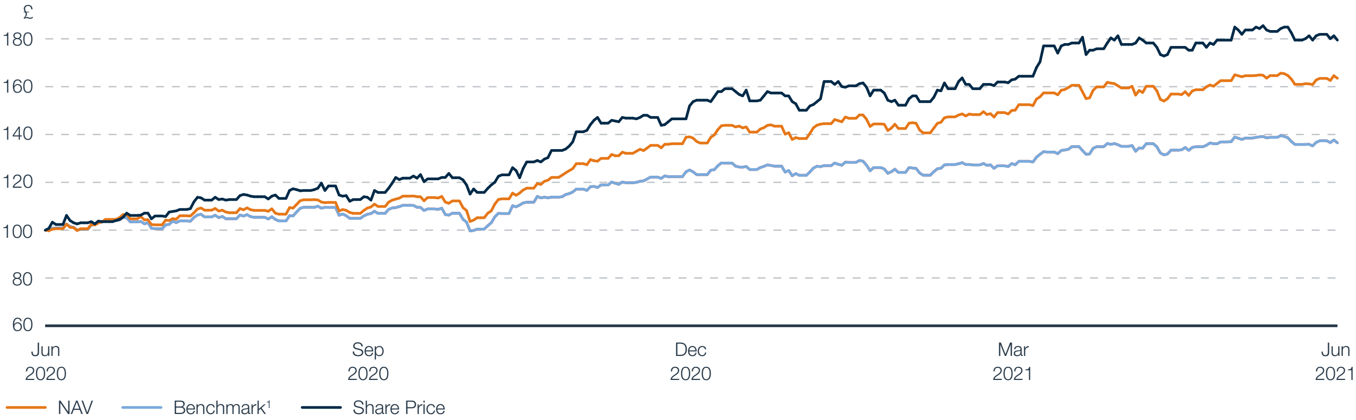
Key Performance Indicators

Measuring our performance

In order to measure the success of the Company in meeting its investment objective and to evaluate the performance of the Manager, the directors take into account a number of Key Performance Indicators ('KPIs').

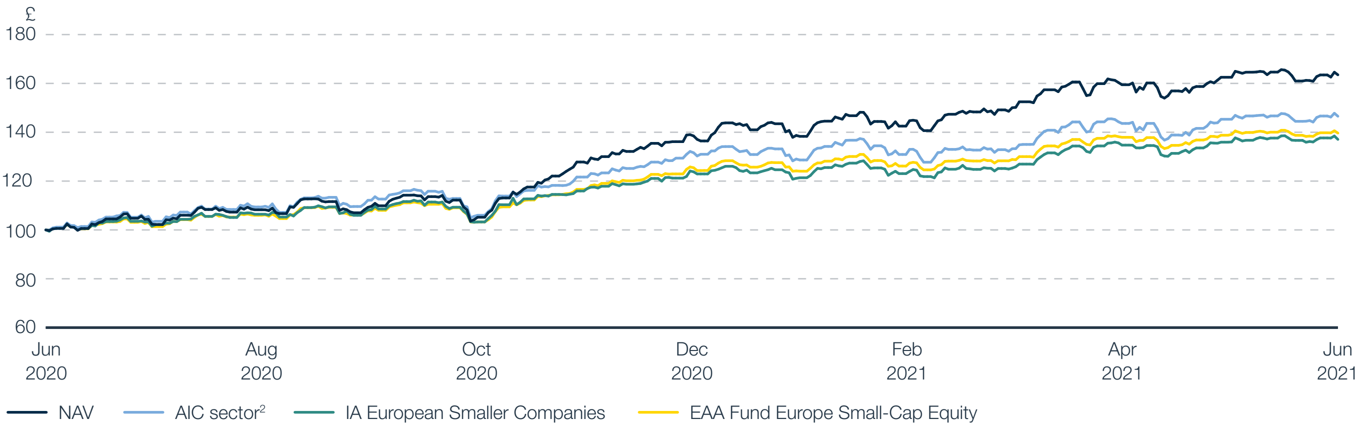
NAV and share price total return compared to the benchmark (rebased to 100)

1 year



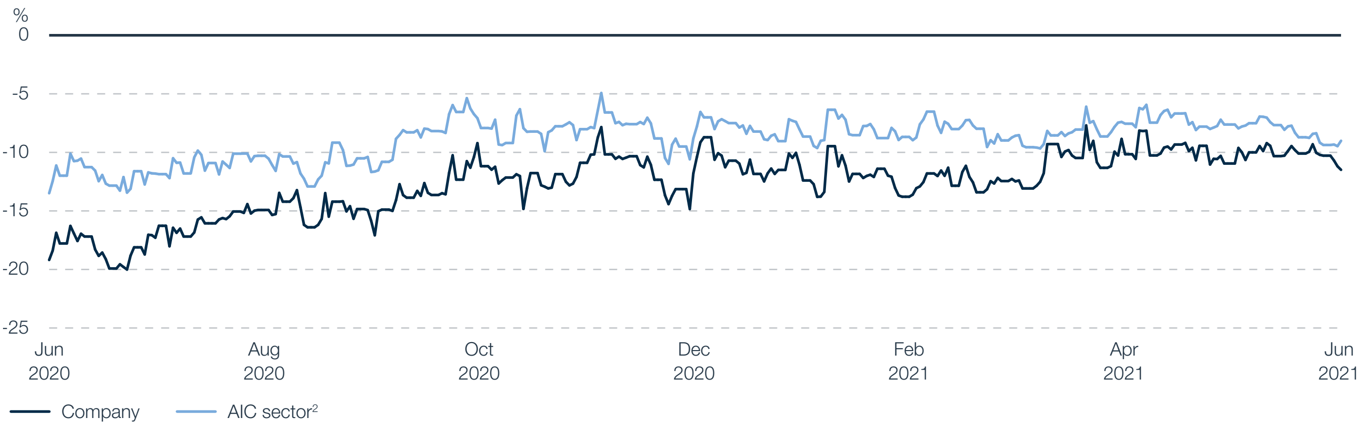
NAV total return performance compared to the AIC and open end sectors (rebased to 100)

1 year



Premium/discount compared to the AIC sector average

1 year

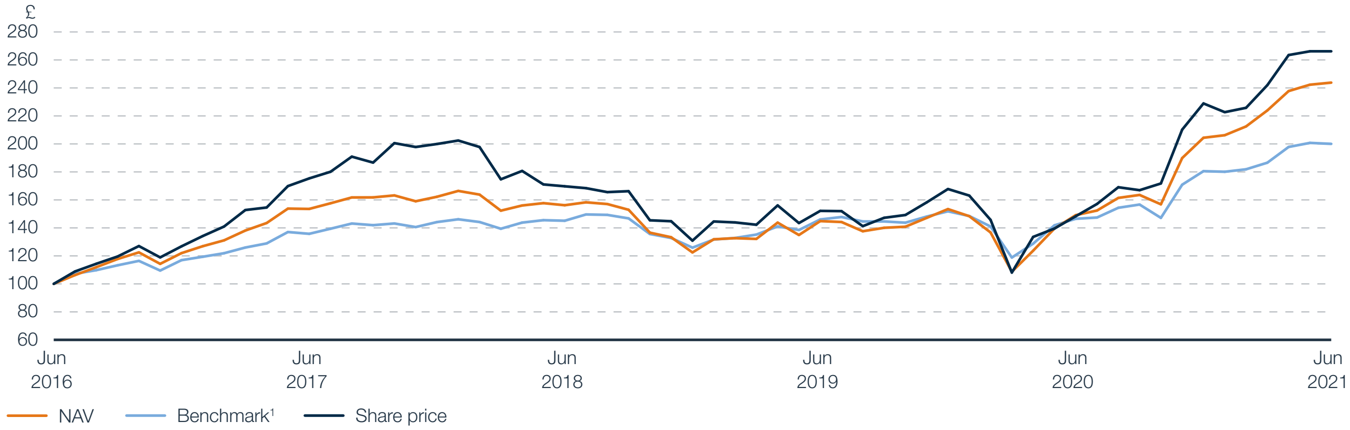


1 Euromoney Smaller European Companies (ex UK) Index
2 AIC European Smaller Companies sector

Key Performance Indicators (continued)

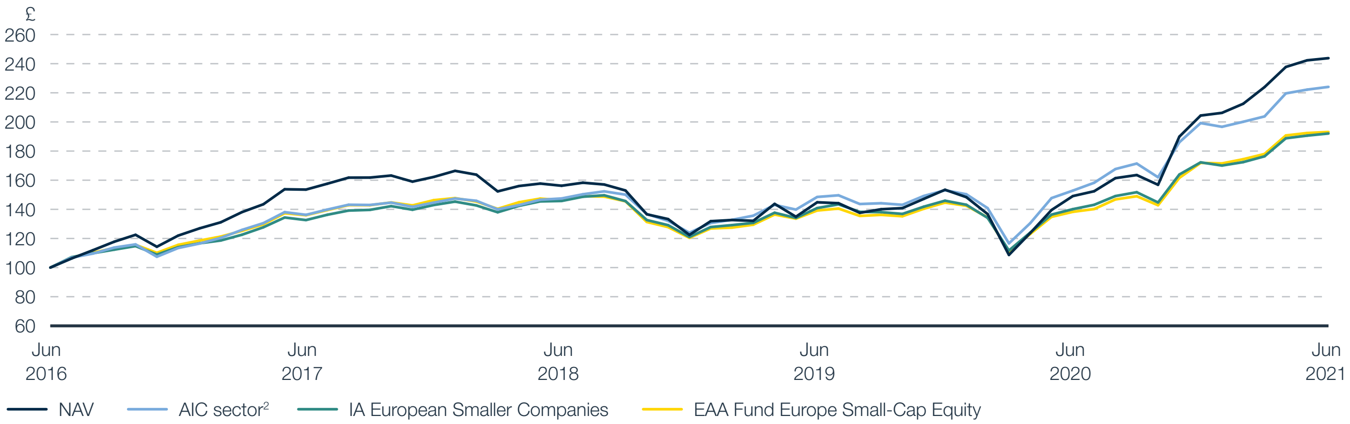
NAV and share price total return compared to the benchmark (rebased to 100)

5 year



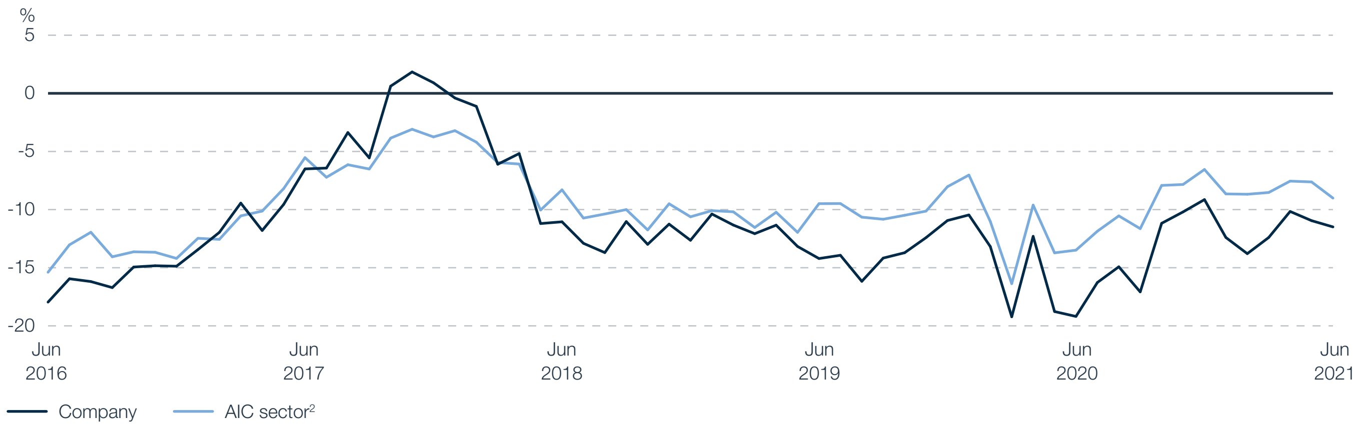
NAV total return performance compared to the AIC sector average (rebased to 100)

5 year



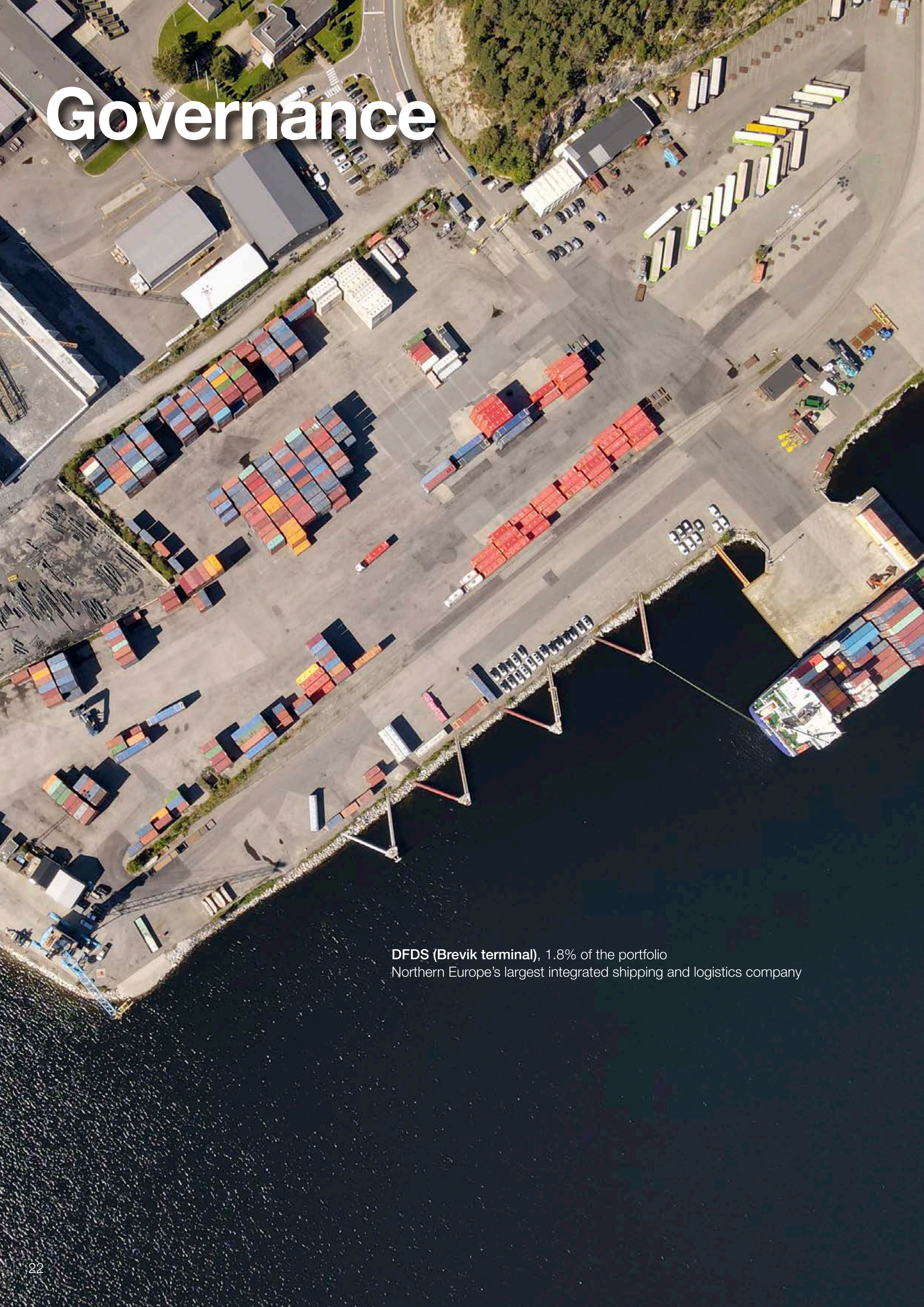
Premium/discount compared to the AIC sector average

5 year



1 Euromoney Smaller European Companies (ex UK) Index
2 AIC European Smaller Companies sector

Governance



DFDS (Brevik terminal), 1.8% of the portfolio
Northern Europe's largest integrated shipping and logistics company

Board of Directors
The right balance of skills and experience

Christopher Casey

Position:
Chairman of the Board (from 25 November 2019); formerly the Chairman of the Audit Committee (1 March 2010 – 25 November 2019)

Date of appointment:
1 March 2010

Career and background

Christopher was a partner of KPMG LLP and its predecessor firms from 1992, having joined Peat Marwick & Mitchell in 1977. He was an audit partner responsible for large and listed companies but latterly specialised in mergers and acquisitions advisory assistance. He retired from KPMG LLP in February 2010 and has been a non-executive director of a number of companies since that time.

Skills and expertise

Christopher has extensive accounting, auditing, corporate governance and listed companies experience.

External appointments

He is the Chairman of the Audit Committee of BlackRock Sustainable American Income Trust plc, Mobius Investment Trust plc and Life Settlement Assets PLC. He is a non-executive director of CQS Natural Resources High Yield Trust plc.

Daniel (Dan) Burgess

Position:
Chairman of the Audit Committee

Date of appointment:
25 November 2019

Career and background

Dan was a partner at KPMG LLP for twenty-three years. He initially led the statutory audits of a number of large public limited companies and public interest entities before specialising in due diligence and regulatory services on mergers and acquisitions and capital market transactions.

Skills and experience

He has significant accounting, auditing, corporate governance and listed companies experience.

External appointments

None.

Ann Grevelius

Position:
Independent non-executive director

Date of appointment:
23 September 2019

Career and background

Ann has more than twenty-five years´ experience in the asset management sector and has also been active in the venture capital industry for the last several years, as partner and senior advisor at GP Bullhound, a technology advisory and investment firm. She has held positions as Chief Investment Officer and Global Head of Investment Strategy at SEB Wealth Management and prior to that, Ann was head of Swedish and Nordic Equities at SEB Investment Management and Handelsbanken Asset Management.

Skills and experience

Ann has extensive asset management experience and enables the Board to stay in touch with sentiment on the Continent.

External appointments

She is Chairman and co-founder of Optise AB, a fintech start-up within digital asset management and holds a number of non-executive directorships including Carneo AB, a Nordic multi-boutique asset manager, Alecta, the fifth largest occupational pension provider in Europe and OX2 Group AB, a renewable energy company. She is Chairman of the Investment Committee at the Swedish Foundation for Strategic Research and a member of the Listing Committee of Nasdaq Stockholm.

Board of Directors (continued)

Simona Heidempergher

Position:
Senior independent director

Date of appointment:
1 September 2014

Career and background

Simona is a Managing Director of Merifin Capital, a privately owned European investment company with offices in Europe, Asia and the USA, which has successfully invested in traditional and alternative asset classes for more than 25 years.

Skills and experience

Simona has a wealth of asset management experience and enables the Board to stay in touch with sentiment on the Continent.

External appointments

She is chair of the board of directors of the Stramongate Group, a Luxembourg public company, and the lead independent non-executive director of Aquafil SpA where she is chair of the Audit and Risk Committee. Alongside this, Simona is a director of Hansa Investment Company Limited, listed on the London Stock Exchange and director of Industrie Saleri Italo S.p.A. an Italian private company in the automotive supplier sector. Simona sits on the advisory boards of various limited partnerships and is a former director of BIM Banca Intermobiliare SpA, Europa Investimenti SGR, Invitalia Ventures SGR and Fondazione Bruno Kessler.

Andrew Martin Smith

Position:
Independent non-executive director

Date of appointment:
19 May 2008

Career and background

Andrew was Chief Executive of Hambros Fund Management at the time of its merger with Guinness Flight in 1997. He joined Berkshire Capital Securities in 2000 before joining Guinness Asset Management in 2005.

Skills and experience

He has over forty years' experience in the asset management industry, including closed end investment companies.

External appointments

Andrew is a director of Guinness Asset Management. He holds a number of non-executive directorships including Church House Investments Limited, a private and independent investment management company.

Alexander Mettenheimer

Position:
Independent non-executive director

Date of appointment:
1 July 2011

Career and background

Alexander was spokesman of the executive directors of ODDO BHF Bank AG (formerly BHF Bank) until March 2016 and Deputy Chairman of the Board of Administration for Bayerische Landesbank, the leading Bavarian commercial bank for large and middle-market corporate customers in Germany and Europe, from 2010 to 2013. His previous roles include Chief Executive Officer of Merck Finck & Co Privatbankiers and Confia SA as well as various positions with Citibank.

Skills and experience

Alexander has a strong background in European financial services and banking. He also enables the Board to stay in touch with sentiment on the Continent.

External appointments

He is Chairman of the Small and MidCap InvestmentBank AG and holds various other board positions in Germany and Switzerland.

Corporate Governance Report

Governance codes

The Board is pleased to report to shareholders on how the Company has applied the principles of the Code of Corporate Governance published by the Association of Investment Companies.

The Company maintains a premium listing on the London Stock Exchange and is therefore required to report on how the principles of the UK Corporate Governance Code (the 'UK Code') have been applied. Being an investment company, a number of the provisions of the UK Code are not applicable as the Company has no executive directors or internal operations. Consequently, the Board considers the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies (the 'AIC Code'). The AIC Code addresses the principles set out in the UK Code as well as additional recommendations on issues that are of specific relevance to investment companies. The Financial Reporting Council ('FRC') has endorsed the AIC Code and confirmed that, by following it, the boards of investment companies should meet their obligations in relation to the UK Code.

Copies of the AIC Code and the UK Code can be found on the respective organisations' websites: **www.theaic.co.uk** and **www.frc.org.uk**. The AIC Code published in January 2019 includes an explanation of how it adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

Statement of compliance

The Board has considered the principles of the AIC Code and confirms that it has complied with these throughout the reporting period of 1 July 2020 to 30 June 2021. The sole exception has been with regard to the appointment of a senior independent director. The Board was pleased to announce the appointment of Simona Heidempergher to this role with effect from 26 July 2021.

The Company has no executive directors so does not consider executive remuneration. As a fully managed investment company, the Company has no internal operations so does not maintain an internal audit function, although the Audit Committee regularly considers the need for it.

Overview

The Board is comprised entirely of non-executive directors and has constituted three principal committees: the Audit Committee, the Management Engagement Committee and the Nomination Committee. 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.

The terms of reference for each Committee are kept under regular review by the Board and are available on the Company's website **www.treuropeangrowthtrust.com**.

The Board engages third-party service providers to deliver the operations of the Company. Janus Henderson has been appointed to manage the investment portfolio and is the Company's Alternative Investment Fund Manager. The Manager also provides the day-to-day accounting, company secretarial, administrative, sales and marketing activities. The Company has appointed a depositary, which in turn appoints the custodian, who are responsible for the safe custody of the Company's assets. The Company has appointed a registrar to maintain the Register of Members and assist shareholders with queries in respect of their holdings. The Company entered into each of these principal contracts after full and proper consideration of the quality and cost of the services offered, including the operation of their internal control environments. The Board and its committees maintain oversight of third-party service providers through regular and ad hoc reporting, as well as ongoing monitoring by the Manager.

The Board meets annually with representatives from the depositary and custodian to discuss, amongst other matters, performance, service levels, their value for money, information security and business continuity plans.

Board leadership and purpose

The Board is responsible for providing leadership and setting the tone from the top in terms of the Company's culture and values. The Board appoints all third-party service providers and monitors their performance throughout the year. The directors formally evaluate the quality of the service provided by each third-party service provider and consider the appropriateness of the terms of their engagement at least annually. The Board aligns the Company's risk appetite with the investment objective set by shareholders and establishes investment restrictions accordingly. The Board keeps under regular review the risks faced by the Company and assesses the effectiveness of internal controls put in place to mitigate these.

As well as making the strategic decisions regarding the Company's objectives and establishing the risk management framework, the Board's purpose is to provide independent oversight of the operations delivered by the Company's third-party service providers and to challenge the decisions and recommendations made by them, particularly the Manager.

The Board does this by meeting 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 setting strategy and providing oversight of performance against agreed measures. It approves any changes to the structure and capital arrangements for the Company, has oversight of financial reporting and assesses the effectiveness of the internal control framework. The Board approves communications with shareholders, the appointment of new directors, oversees corporate governance matters and is responsible for determining the remuneration of individual directors.

Corporate Governance Report (continued)

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 and a review of notable changes to the share register, along with any sales and marketing activities undertaken. This reporting enables the Board to ensure that control is maintained over the Company's affairs.

The Manager ensures that the directors receive 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 directors have access to the advice and services of the Corporate 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 at the expense of the Company in the furtherance of their duties. In order to enable them to discharge their responsibilities, all directors have full and timely access to relevant information.

Division of responsibilities

Role	Primary responsibilities
Shareholders/ investors	The Company's shareholders are responsible for: • approving the Company's investment objective and policy; • making decisions regarding changes to the Company's constitution; • electing and re-electing directors to the Board, or removing them from office if deemed appropriate; and • determining the overall limit for directors' remuneration.
Chairman	The Chairman of the Board is responsible for: • leading and managing Board business and ensuring the timely flow of information from service providers to the Board. He facilitates open, honest and constructive debate among directors; • leading the Nomination Committee in developing succession planning and the identification of potential candidates for appointment to the Board (except when considering his own succession); • leading the Board in determining its governance framework, culture and values; • representing the Company, alongside the Fund Manager, externally at business, and community level; and • managing the relationship with the Manager.
Senior Independent Director	The senior independent director: • acts as a sounding board to the Chairman; • serves as an intermediary for the other directors and shareholders; and • is responsible for leading the performance evaluation of the chairman.
Independent non-executive directors	The independent non-executive directors are responsible for: • providing constructive and effective challenge, especially to the decisions of the Manager; • scrutinising and holding to account the performance of the – Fund Manager in meeting the investment objective; – Manager in the promotion of the Company and day-to-day smooth operations of the Company's business; and • providing strategic guidance and offering specialist advice.
Committee chairs	The Committee chairs are responsible for: • the leadership and governance of their committee; • maintaining the relationships with specialist service providers delivering services within the remit of their committees; • reporting on the activities of their committee to the Board; and • seeking approval from the Board for the responsibilities set out in their respective terms of reference.

Corporate Governance Report (continued)

Role	Primary responsibilities
Manager	The Manager is the Company's appointed Alternative Investment Fund Manager and is responsible for: • promoting the Company's investment proposition to professional and retail investors; • making the necessary reporting to the FCA regarding the Company's status as an Alternative Investment Fund; • providing accounting, company secretarial and other administrative services to the Company ensuring compliance with the applicable statutory and regulatory provisions; and • coordinating the delivery of services provided by the Company's other third-party service providers.
Fund Manager	The Fund Manager and his team are responsible for: • selecting the stocks held within the portfolio; • diversification and risk management through stock selection and size of investment; • determining the volume and timing of acquisitions and disposals; and • determining the frequency and level of gearing within the overall limits set by the Board.

Board composition

At the date of this report, the Board comprises six non-executive directors. Their background and business experience is set out on pages 23 and 24.

Appointment, tenure and retirement of directors

The Board may appoint directors at any time during the year. Any director so appointed stands for election by shareholders at the next annual general meeting. Directors are generally expected to serve two terms of three years, which may be extended to a third term, and occasionally beyond, at the discretion of the Board and subject to satisfactory performance evaluation and annual re-election by shareholders.

All directors stand for re-election by shareholders annually in keeping with the provisions of the AIC Code. The articles permit shareholders to remove a director before the end of his or her term by passing an ordinary resolution at a general meeting. An appointment may be terminated by either party giving written notice without compensation payable.

Chairman's tenure

Given the entirely non-executive nature of the Board and the fact that the Chairman may not be appointed as such at the time of their initial appointment as a director, the Chairman's tenure may be longer where this is considered by the Board to be in the best interests of the Company. As with all directors, the continuing appointment of the Chairman is subject to satisfactory performance evaluation, annual re-election by shareholders and may be further subject to the particular circumstances of the Company at the time he intends to retire from the Board. The directors are cognisant of the benefits of regularly refreshing Board membership and seek to do so while retaining a balance of knowledge of the Company and the relationship with the Manager.

Directors' independence

The independence of the directors is determined with reference to the AIC Code and is reviewed by the Nomination Committee at least annually. The Committee considers each of the director's other commitments, as well as their tenure and any connections they may have with the Manager or other key service providers. Following completion of the evaluation in July 2021 the Committee concluded that all directors continued to be independent in character and judgement.

Three directors have been on the Board for over nine years; Messrs Casey, Martin Smith and Mettenheimer. The other directors consider that all three are, and have been, independent since their appointment. Independence stems from the ability to make decisions that conflict with the interest of the Manager and this is a function of confidence, integrity and judgement. The Board is firmly of the view that length of service does not impair a director's ability to act independently, but that the longer perspective adds value to the deliberations of the Board, especially in light of the Company's business model and the entirely non-executive nature of the Board.

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.

Corporate Governance Report (continued)

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

Directors' 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 and marketing, and other administrative services.

Directors are 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' time commitment

The Board expects directors to be able to devote sufficient time to meet the demands of the business. Directors should attend all scheduled meetings except when unforeseen and serious circumstances arise at short notice, such as sudden illness or death in the close family. The Board expects directors to be able to make themselves available at reasonably short notice to consider any ad hoc matters that may arise.

Directors' other commitments are considered as part of the candidate selection process for new appointments and annually as part of the overall performance evaluation of each director.

The table below sets out individual directors' meeting attendance for the period under review. All directors attended the 2020 Annual General Meeting.

	Board	Audit Committee	Nomination Committee	Management Engagement Committee
Number of meetings	5	2	1	1
Christopher Casey	5/5	2/2	1/1	1/1
Daniel Burgess	5/5	2/2	1/1	1/1
Ann Grevelius	5/5	2/2	1/1	1/1
Simona Heidempergher	5/5	2/2	1/1	1/1
Alexander Mettenheimer	5/5	2/2	1/1	1/1
Andrew Martin Smith	5/5	2/2	1/1	1/1

At the annual general meeting held on 23 November 2020, the resolution proposing the reappointment of the Chairman received votes against amounting to 23.9% of the shares voted at the meeting. The majority of the votes against were from a single shareholder and related to the number of directorships held by the Chairman. The Board has engaged with this shareholder to understand its concerns and explained that the Board is aware of the Chairman's other commitments, all of which are non-executive and which, following his retirement from Eddie Stobart Logistics plc in August 2020, relate to investment company board positions, and believe that he has sufficient capacity to devote to the Company's affairs. The Board will be engaging with this shareholder in advance of the forthcoming annual general meeting.

Succession planning

To be effective the Board must maintain a balance of skills and experience, and seek to refresh these on a regular basis to ensure that the Board's oversight of the Manager's activities remains robust.

As the Board is comprised entirely of non-executive directors and all operations are outsourced, ensuring a suitable balance of skill and experience includes retaining a detailed knowledge of the Board's deliberations and decisions over the long term, which may mean some directors remain on the Board for longer than nine years. The Board considers its membership annually following individual performance evaluation and when recommending directors to shareholders for re-election. The Board maintains a succession plan which remains subject to the challenges facing the Company at the time these plans are implemented and the skills the Board believes it requires to ensure the safeguarding of shareholders' assets.

As part of the Board's succession planning, Andrew Martin Smith will be retiring as a director with effect from the conclusion of the forthcoming annual general meeting. His departure from the Board will bring the number of directors down to five. Alexander Mettenheimer has indicated his intention not to stand for re-election at the annual general meeting in 2022.

Performance evaluation

The Board has established a process to evaluate its performance annually. The process is based on open discussion and seeks to assess the strengths and weaknesses of the Board and its committees.

The Chairman leads on discussions with individual directors, while the Chairman of the Audit Committee leads on the annual evaluation of the Chairman. The Nomination Committee oversees the process.

The evaluation concluded that the Board continued to operate effectively and that the presence of European based directors on the Board remained beneficial. The evaluation specifically assessed the time which individual directors were able to commit to Board business and, based on meeting attendance including to address ad hoc matters, concluded that all

Corporate Governance Report (continued)

directors were able to devote the time required to fulfill their duties. The usual number of directors, being five, remained appropriate and, with a stabilisation of markets, the Board could consider returning to this number, while seeking to secure knowledge of the wider close end sector in which the Company operates. The Nomination Committee recommended to the Board that the remit of the Committee be expanded to include consideration of directors' remuneration with effect from 1 July 2021.

Risk management and internal control

Framework of control

The Board has responsibility for determining the Company's overall risk appetite, establishing internal controls to ensure operation with that appetite and for reviewing the effectiveness of the internal controls in place.

The Board has established an ongoing process for identifying, evaluating and managing the principal and emerging risks faced by the Company. The process accords with the FRC's guidance on Risk Management, Internal Control and Related Business and Financial Reporting published in September 2014. The principal and emerging risks faced by the Company and mitigating measures in place, are documented in the Risk Profile and Register which is kept under regular review by the Audit Committee.

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 third-party service providers and their internal controls. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute assurance against material misstatement or loss.

The key components of the internal control framework include:

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

The Board has reviewed the effectiveness of the Company's system of internal controls for the year ended 30 June 2021 and is aware that the report on the effectiveness of internal controls at one of the Company's service providers was qualified. Following discussion with the Audit Committee, the Board is satisfied that it has not identified or been advised of any failings or weaknesses that have been determined as significant.

Internal audit function

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

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

The Manager's Operational Risk team support the Audit Committee in considering the independently audited reports on the effectiveness of internal controls in place at the Company's third-party service providers. The Manager's Internal Audit department provides regular reporting to the Board on the operations of the Manager and presents at least annually to the Audit Committee.

Given the level of independent review attached to reporting on the effectiveness of internal controls at third-party service providers and the access the Audit Committee has to the Manager's Internal Audit department, the Board, on the recommendation of the Audit Committee, has concluded that it is not necessary at the present time for the Company to have its own internal audit function.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary to TR European Growth Trust PLC
13 October 2021

Nomination Committee Report

Role

The Nomination Committee is responsible for ensuring the Board retains an appropriate balance of skills, experience and diversity, has a formal, rigorous and transparent approach to the appointment of directors and maintains an effective framework for succession planning.

With effect from 1 July 2021, the Board has approved an extended remit for the Committee which will include consideration of directors' remuneration.

Membership

The Committee is chaired by the Chairman of the Board. All of the independent non-executive directors are members of the Committee.

Meetings

The Committee meets at least once a year to consider the composition of the Board, succession planning and to review the outcome of the Board evaluation. The Committee meets more frequently during the year when the recruitment process for new directors is underway.

Responsibilities

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

- the composition of the Board and each of its committees, taking account of the skills, experience and knowledge of each director and whether the diversity of these continued to contribute to the success of the Company;
- the outcomes of the Board performance evaluation with a view as to whether adjustments should be made to the number of directors or knowledge and skills represented on the Board;
- the tenure of each of the directors, giving consideration as to whether the Board retained a sufficient balance of length of service without becoming complacent;
- the independence of the directors taking account of the guidelines established by the AIC Code as well as the directors' other commitments;
- the time commitment of the directors and whether this had been sufficient over the course of the year;
- succession planning for appointments to the Board taking account of the provisions of the articles regarding the retirement and rotation of directors, the tenure of the current directors and recommendations of the AIC Code; and
- the performance and contribution of the directors standing for re-election at the 2021 Annual General Meeting.

Directors for re-election

Taking account of the performance of individual directors as part of the overall effectiveness evaluation of the Board, the Committee considered whether the Board's support of directors standing for re-election at the upcoming annual general meeting was warranted.

Following conclusion of the evaluation this year, the Committee recommended that all directors standing for re-election should be supported. The evaluation demonstrated that the directors continued to bring their knowledge and experience to bear in making decisions regarding the Company and could commit additional time at short notice when required.

Christopher Casey
Chairman
13 October 2021

Management Engagement Committee Report

Role

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.

Membership

The Committee is chaired by the Chairman of the Board. All of the independent non-executive directors are members of the Committee.

Meetings

The Committee meets at least once a year.

Responsibilities

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 end and open ended sectors, the share price, level of 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 end competitors and other, similar sized investment companies;
- the key clauses of the investment management agreement, how the Manager had fulfilled these and whether these continued to be appropriate; and
- the performance and fees of the Company's other third-party service providers, including the brokers, depositary, registrar, 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.

Christopher Casey
Chairman
13 October 2021

Audit Committee Report

Role

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 auditor.

Membership

All directors with the exception of the Chairman of the Board are members of the Committee.

The Board is satisfied that at least one member has recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which the Company operates.

Meetings

The Committee meets at least twice a year. The Company's auditors, the Fund Manager and the Manager's Financial Reporting Manager are invited to attend meetings of the Committee on a regular basis. Other representatives of the Manager and BNP Paribas Securities Services may also be invited to attend if deemed necessary by the Committee.

Responsibilities

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 basis for preparation;
- the assessment of the principal and emerging risks facing the Company and the long-term viability statement in light of these risks;
- the areas of judgement in the financial statements and the performance fee calculation;
- the overall approach to paying dividends and the appropriate level of dividend to be paid in respect of the year ended 30 June 2021;
- the appointment and evaluation of the effectiveness and objectivity of the auditor, and determining their remuneration;
- agreeing the nature and scope of the statutory audit and reviewing the auditor's findings;
- monitoring and evaluating the effectiveness of the Company's system of internal control and assessing the need for a separate internal audit function;
- the policy on the provision of non-audit services by the auditor; and
- the whistleblowing arrangements in place at the Manager enabling staff to raise concerns about possible improprieties in confidence.

Effectiveness of the external audit

The Committee's process for evaluating the effectiveness of the external audit comprises two components; consideration is given to the findings of the FRC's Audit Quality Inspection Report and a post-audit assessment is carried out, led by the Committee Chairman.

The auditor is able to present and discuss the findings of the latest Audit Quality Inspection Report and report on the progress made by the firm in terms of addressing the areas identified for improvement in the prior year's report. In assessing the effectiveness of the audit process, the Committee Chairman invites views from the directors, the Fund Manager and other members of the Manager's staff in assessing the robustness of the audit, level of challenge offered by the audit team, the quality of the audit team and timeliness of delivering the tasks required for the audit and reporting to the Committee.

Following completion of the assessment, the Committee remained satisfied with the effectiveness of the audit provided by Ernst & Young LLP ('EY') and therefore recommended their continuing appointment to the Board. The auditor has indicated their willingness to continue in office. Accordingly, resolutions reappointing EY as the auditor to the Company and authorising the directors to determine their remuneration will be proposed at the forthcoming annual general meeting.

Appointment and tenure of the auditor

Regulations currently in force require the Company to rotate audit firms after a period of 10 years, which may be extended where audit tenders are carried out or where more than one audit firm is appointed to carry out the audit. EY was appointed as the auditor in 2017 following a formal tender process and presented their first report in respect of the year ended 30 June 2018. This is the fourth year they have acted as the auditor and current audit partner, Matthew Price, has been in place. Subject to the audit remaining effective and the continuing agreement from shareholders on the appointment of the auditor, the Committee envisages carrying out an audit tender process towards the end of the next audit partner's tenure.

Auditor's independence

The Committee monitors the auditor's independence through three aspects of its work; the approval of a policy regulating the non-audit services that may be provided by the auditor to the Company, assessing the appropriateness of the fees paid to the auditors and by reviewing the information and assurances provided by the auditors on their compliance with the relevant ethical standards. EY has confirmed that all of its partners and staff involved with the audit were independent of any links to the Company, and that these individuals had complied with their ethics and independence policies and procedures which are fully consistent with the FRC's Ethical Standards.

Audit Committee Report (continued)

Significant issues

In relation to the annual report for the year ended 30 June 2021 the following significant issues were considered by the Committee:

Significant issue	How the Committee addressed the issue
Valuation and ownership of investments	The directors have appointed the Manager, who outsources some of the administration and accounting services to BNP Paribas Securities Services, to perform the valuation of the assets of the Company in accordance with its responsibilities under the AIFMD rules. As required under the AIFMD rules, the Manager has adopted a written valuation policy, which may be modified from time to time. Actively traded investments are valued using stock exchange prices provided by third-party pricing vendors. Ownership of listed investments is verified by reconciliation to the custodian's records and the directors have received quarterly reports from the depositary, who has responsibility for overseeing the Company's operations, including verification of ownership and valuation. Unquoted investments are reviewed by the Manager's EMEA Pricing Committee. The Company currently holds two investments of this nature – Safwood, which continues to be valued at nil and 21 Centrale Partners III, which is in the process of returning funds to investors.
Recognition of income	Income received is accounted for in line with the Company's accounting policies. The Committee considers whether the capital/income allocation remains appropriate and considers the treatment of any special dividends received during the course of the year.
Internal control environment	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 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 Committee, with the assistance of the Manager's Operational Risk team, sought further details from the service provider on the matter giving rise to the qualification, the steps being taken to address the matter and has requested an interim update before the end of the calender year. The Committee had further input on the prevailing standards in the sector when making their recommendation to the Board on the Company's internal control environment as a whole.
Investment Trust status	The Committee reviews the Manager's procedures for complying with relevant regulations so as to ensure that the Company maintains its investment trust status and regularly seeks confirmation of compliance with the relevant regulations.
Calculation of performance fee	The Committee reviews the calculation of the performance fee to ensure consistency with the investment management agreement and the application of the methodology used in prior years.

Policy on the provision of non-audit services

The Committee has approved, and keeps under regular review, the policy on the provision of non-audit services by the auditor. The policy sets out that the Company's auditor will not be considered for non-audit work where this is prohibited by the current regulations and where it appears to affect their independence and objectivity. In addition, the provision of any non-audit services by the auditor is not permitted to exceed 70% of the average annual statutory audit fee for the three consecutive financial periods preceding the financial period to which the cap applies. Such services require approval in advance by the Audit Committee, or Audit Committee Chairman, following due consideration of the proposed services.

Since the appointment of EY in 2017, the auditor has not provided any non-audit services to the Company.

Daniel Burgess
Chairman of the Audit Committee
13 October 2021

Directors' Remuneration Report

Remuneration Policy

The Remuneration Policy (the 'Policy') sets out the principles applied in the remuneration of the Company's directors. The Policy has been in place since 1 July 2013 and was last approved by shareholders at the annual general meeting on 23 November 2020.

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
- not exceed the aggregate limit set out in the articles of association (currently £250,000).

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. The level of remuneration paid to each director is reviewed annually, although such review will not necessarily result in a change to the fee.

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

Shareholders' views

Any feedback from shareholders on the fees paid to directors is 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.

Recruitment principles

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

Annual Report on Remuneration

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 annual general meeting to be held on 29 November 2021.

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

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

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 for the year ended 30 June 2021 has been determined by the Board as a whole within the aggregate limit, currently £250,000 per annum, approved by shareholders.

With effect from 1 July 2021, the Board has expanded the remit of the Nomination Committee to include consideration of directors remuneration. The Committee will be called the Nomination and Remuneration Committee and be responsible for making recommendations to the Board on changes to directors' remuneration.

The Board agreed fee increases for the directors as indicated in the table below. The decision on the Chairman's fee was taken by the directors led by the Audit Committee Chairman. The Chairman absented himself from these discussions. The decision was made following peer review of directors fees within the investment trust sector and following input from Trust Associates.

Role	Fee 30 June 2022	**Fee 30 June 2021**	% change
Chairman	£44,000	£38,000	15.8
Chairman of the Audit Committee	£35,190	£34,000	3.5
Director	£31,050	£30,000	3.5

Prior to this, fees were last increased with effect from 1 July 2019.

Directors' interests in shares (audited)

The interests of the directors in the ordinary shares of the Company at the beginning and end of the financial year under review are set out in the table below.

	Ordinary shares of 12.5p 30 June 2021	Ordinary shares of 12.5p 1 July 2020
Christopher Casey	6,000	6,000
Daniel Burgess	2,000	–
Ann Grevelius	–	–
Simona Heidempergher	1,600	1,600
Alexander Mettenheimer	2,000	5,900
Andrew Martin Smith	10,000	10,000

Directors' Remuneration Report (continued)

Relative importance of spend on pay

The table below sets out the total level of directors' remuneration compared to the distributions paid to shareholders by way of dividends. There were no other significant distributions or uses of the Company's profit which would assist in the understanding of relative importance of spend on pay.

	2021 £	2020 £	2017 £	1 year change £	1 year change %	5 year change £	5 year change %
Total remuneration paid to directors[1]	192,518	198,339	132,200	-5,821	-2.9%	60,318	45.6%
Ordinary dividends paid during the year	11,224,281	11,174,173	5,717,040	50,108	0.4%	5,507,241	96.3%

1 Changes will fluctuate due to the number of directors in any one year

Directors' remuneration (audited)

The remuneration paid to the directors who served during the years ended 30 June 2021 and 30 June 2020 was as follows:

	Year ended 30 June 2021 Total salary and fees £	**Year ended 30 June 2021 Total expenses and taxable benefits £**	**Year ended 30 June 2021 Total £**	Year ended 30 June 2020 Total salary and fees £	Year ended 30 June 2020 Total expenses and taxable benefits £	Year ended 30 June 2020 Total £
Audley Twiston-Davies[1]	–	–	–	15,283	–	15,283
Christopher Casey[2]	38,000	–	38,000	36,402	7,731	44,133
Simona Heidempergher	30,000	–	30,000	30,000	1,305	31,305
Andrew Martin Smith	30,000	–	30,000	30,000	–	30,000
Alexander Mettenheimer	30,000	518	30,518	30,000	2,876	32,876
Daniel Burgess[3]	34,000	–	34,000	20,418	–	20,418
Ann Grevelius[4]	30,000	–	30,000	22,500	1,824	24,324
Total	192,000	518	192,518	184,603	13,736	198,339

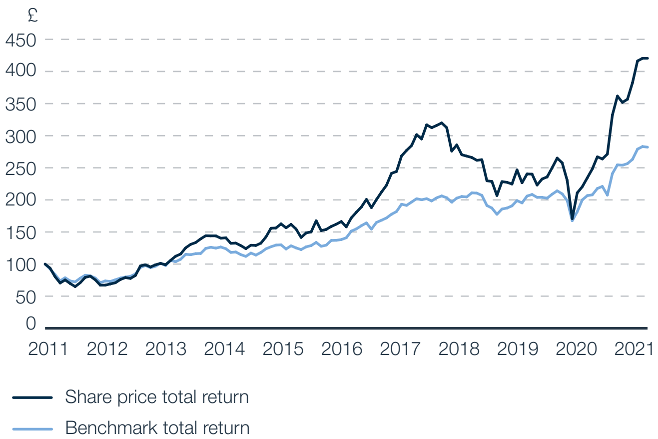
Notes:

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 until retirement on 25 November 2019. 2 Chairman of the Audit Committee until 25 November 2019, Chairman thereafter. Highest paid director.
3 Chairman of the Audit Committee, appointed 25 November 2019. 4 Appointed 23 September 2019

Performance

The graph illustrates the Company's share price total return performance compared with that of the benchmark over a ten year period. The analysis assumes £100 invested on 30 June 2011 with all dividends reinvested.



Statement of voting at Annual General Meeting

A binding ordinary resolution adopting the Remuneration Policy was approved at the annual general meeting held on 23 November 2020. The votes cast by proxy in favour of the resolution were 10,716,655 (99.3%), votes cast against the resolution were 58,796 (0.6%) and 13,274 (0.1%) were placed at the discretion of the chairman of the meeting to vote. A total of 31,134 votes were withheld.

An ordinary resolution adopting the Annual Report on Remuneration was approved at the annual general meeting held on 23 November 2020. The votes cast by proxy in favour of the resolution were 10,721,613 (99.4%), votes cast against the resolution were 51,249 (0.5%) and 13,274 (0.1%) were placed at the discretion of the chairman of the meeting to vote. A total of 36,723 votes were withheld.

The percentage of votes in favour, against and discretionary excludes the number of votes withheld.

Daniel Burgess
Director
13 October 2021

Directors' Report

The directors present their report and the Company's audited financial statements for the year ended 30 June 2021.

The Corporate Governance Report, committee reports and Additional Information on pages 25 to 33 and 73 to 80, form part of the Directors' Report.

Share capital

An ordinary resolution to sub-divide each existing ordinary share of 12.5p into eight ordinary shares of 1.5625p each will be proposed at the annual general meeting to be held on 29 November 2021. If the resolution is passed, the sub-division is expected to be effective from 13 December 2021. At the date of this report, the voting rights of the shares on a poll are one vote for every two ordinary shares. A special resolution to adopt new articles of association will also be proposed. If adopted, the new articles will change the votes conferred on a poll to one vote for every ordinary share held. To the extent that they exist, the revenue profits and some of the capital of the Company (including accumulated revenue and capital 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 holdings of ordinary shares.

As at 30 June 2021 the Company's paid up share capital consisted of 50,108,397 ordinary shares of 12.5p each. The voting rights at that date were 25,054,198, as shareholders have one vote for every two shares held.

At the annual general meeting held on 23 November 2020, shareholders authorised the directors to allot up to 2,505,420 new ordinary shares and to repurchase up to 7,511,249 of the Company's ordinary shares where these were trading at a discount to the net asset value. No shares have been allotted or repurchased in the year to 30 June 2021 and up to the date of this report. The authorities 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 annual general meeting. Directors will be seeking to renew the authority to allot and repurchase shares at the upcoming annual general meeting.

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 at 30 June 2021 in accordance with the Disclosure Guidance and Transparency Rules were as follows:

	% of voting rights
Wells Capital Management Inc.	12.2
City of London Investment Management	4.9

On 11 August 2021, City of London Investment Management notified an increase in their holding to 5.1%. No other notifications have been received up to the date of this report.

Borrowings

The Company has a secured multicurrency overdraft arrangement with HSBC Bank plc that allows it to borrow up to the lesser of £160 million and 25% of custody assets as and when required. At 30 June 2021, £89.1m (2020: £48.3m) of the facility was drawn down.

Directors' insurance and indemnification

Directors' and officers' liability insurance cover is in place which indemnifies the directors against certain liabilities arising from carrying out 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 from their positions as directors, in which they are acquitted or judgement is given in their favour by the Court. The Company has granted such 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.

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. The only amounts paid to them were in respect of remuneration and expenses for which there were no outstanding amounts payable at the year end.

As a matter of operational efficiency, the Company will replace its current benchmark, the Euromoney Smaller European Companies (ex UK) Index with the MSCI Europe ex UK Small Cap Index. The change will improve the quality of the benchmark data available to the fund management team on a day-to-day basis and aligns the benchmark with a number of the Company's peers. The change will become effective from 1 July 2022, the start of the next financial year. This change in the benchmark index will have an indirect impact on the Company's investment policy, which is managed by reference to the benchmark, and performance fees payable by the Company to the Manager, as such fees are determined based on performance relative to the benchmark.

Directors' Report (continued)

The Company and the Manager have entered into an agreement to reflect the change in the benchmark in connection with the calculation of the performance fee with effect from 1 July 2022. The performance relative to the benchmark for years prior to 1 July 2022 for the purposes of the calculation of any performance fees (which is calculated on a three-year rolling basis), shall remain unchanged and will continue to be calculated relative to the Euromoney Smaller European (ex UK) Index.

The agreement is considered a smaller related party transaction for the purposes of Listing Rule 11.1.10R.

In relation to the provision of services by the Manager, other than fees payable by the Company in the ordinary course of business and the provision of marketing activities, there have been no material transactions affecting the financial position of the Company during the year under review. More details on transactions with the Manager, including amounts outstanding at the year end, are given in note 21 on page 70.

Annual General Meeting

The Company's annual general meeting will be held at 12.30 pm on Monday 29 November 2021 at 201 Bishopsgate, London, EC2M 3AE. Shareholders will also be able to view the meeting via Zoom webinar. The Fund Manager will give his usual presentation and he, and your directors, will be available to answer questions.

As is the normal practice, those physically present at the meeting will have the opportunity to vote. Due to technological restrictions, voting cannot be offered via Zoom and all shareholders attending the meeting this way are encouraged to submit their votes via proxy ahead of the deadline of 25 November 2021.

Shareholders holding their shares through a nominee account, such as a share dealing platform, will need to contact their provider to submit the proxy votes on their behalf. Any change to the format of the meeting will be notified to shareholders via a Regulatory Information Service announcement.

Instructions on attending the meeting and details of resolutions to be put to shareholders are included in the Notice of Meeting enclosed with this annual report. If shareholders would like to submit any questions in advance, they are welcome to send these to the corporate secretary at itsecretariat@janushenderson.com.

Voting recommendation

The Board considers that the resolutions to be proposed at the meeting are in the best interests of the shareholders as a whole and therefore recommends that shareholders vote in favour of each resolution, as the directors intend to do in respect of their own beneficial holdings.

Directors' statement as to disclosure of information to the 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 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.

Single identifiable table

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the annual report or a cross reference table indicating where the information is set out. There are no further disclosures to be made in this regard.

Environmental impact

As an investment company where all operational activities are outsourced, the Company's own direct environmental impact is minimal. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2019. Investee companies held in the portfolio report directly on their own emissions.

Modern slavery, bribery and tax evasion

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

Company's status

The Company is an investment company as defined in section 833 of the Companies Act 2006 ('the Act') and operates as an investment trust in accordance with s.1158 of the Corporation Tax Act 2010 as amended. The directors are of the opinion that the Company has conducted its affairs in compliance with s.1158 since approval was granted and intends to continue to do so.

The Company is listed on the Main Market of the London Stock Exchange and is subject to the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules published by the Financial Conduct Authority. The Company is a member of the Association of Investment Companies.

The Company, and the Board, is governed by its articles of association, amendments to which must be approved by shareholders by way of a special resolution.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
13 October 2021

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. Under that law the directors have prepared the Company's financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the financial statements, Article 4 of the International Accounting Standards Regulation. 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.

Directors' responsibility statements

Each of the directors, listed on pages 23 and 24, confirm that, to the best of his or her knowledge:

- the financial statements prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 give a true and fair view of the assets, liabilities, financial position and profit and loss of the issuer and the undertakings included in the consolidation taken as a whole; 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

Daniel Burgess
Director
13 October 2021

Financial statements

Plastic Omnium, 0.8% of the portfolio
Automotive supplier specialising in the manufacture and commercialisation of plastics

Independent auditor's report to the members of TR European Growth Trust PLC

Opinion

We have audited the financial statements of TR European Growth Trust PLC (the 'Company') for the year ended 30 June 2021 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Statement of Cash Flows 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 the applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 June 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act; 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. 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 listed 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 going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of the Company's going concern assessment process and engaged with the directors and the Corporate Secretary to determine if all key factors that we have become aware of during our audit were considered in their assessment.
- We inspected the directors' assessment of going concern, including the revenue forecast, for the period of 12 months from the date the financial statements are authorised for issue. In preparing the revenue forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
- We have examined the data and assumptions, including the impact of the Covid-19 pandemic, as applied to the revenue forecast and the liquidity assessment of the investments. We considered the appropriateness of the methods used to calculate the revenue forecast and the liquidity assessment and determined, through testing of the methodology and calculations, that the methods, inputs and assumptions utilised were appropriate to be able to make an assessment for the Company.
- In relation to the Company's borrowing arrangements, we inspected the directors' assessment of the risk of breaching the debt covenants as a result of a reduction in the value of the Company's portfolio. We recalculated the Company's compliance with debt covenants and performed reverse stress testing in order to identify what factors would lead to the Company breaching the debt covenants during the going concern period.
- We reviewed the Company's assessment of the liquidity of investments held and evaluated the Company's ability to sell those investments in order to repay borrowings or to cover working capital requirements should revenue decline significantly.
- We reviewed the Company's going concern disclosures included in the annual report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

Independent auditor's report to the members of TR European Growth Trust PLC (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• The risk of incomplete or inaccurate revenue recognition, including incorrect classification of special dividends as revenue or capital items in the Statement of Comprehensive Income. • The risk of incorrect valuation or defective title of the investment portfolio. • The risk of incorrect calculation of the performance fees.
Materiality	• Overall materiality of £8.4m which represents 1% of net assets as at 30 June 2021.

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. All audit work was performed directly by the audit engagement team.

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 TR European Growth Trust PLC (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
The risk of incomplete or inaccurate revenue recognition, including incorrect classification of special dividends as revenue or capital items in the Statement of Comprehensive Income *(as described on page 33 of the Audit Committee Report and as per the accounting policy set out on page 53).* Income in the year totalled £13.5m (2020: £9.1m). The income receivable by the Company during the year directly affects the Company's revenue return. There is a risk of incomplete or inaccurate recognition of income through the failure to recognise proper income entitlements or apply appropriate accounting treatment. The revenue column of the Statement of Comprehensive Income is the main driver of the minimum dividend calculation. There is therefore a risk that an incorrect classification could potentially result in an under distribution of income and put the Company's investment trust status at risk. There is also a risk that the revenue column is overstated to increase the dividend paid to shareholders. In addition to the above, 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'. This manual and judgmental element in allocating special dividends between revenue and capital can lead to the risk of incorrect allocation.	**We have performed the following procedures:** • We obtained an understanding of BNP Paribas Securities (the 'Administrator') and Janus Henderson's (the 'Manager') processes and controls surrounding revenue recognition and allocation of special dividends and performed a walkthrough to evaluate the design of controls. • We reviewed the income and capital reports to identify special dividends, above our testing threshold, that have been received and accrued during the period. • The Company received 4 special dividends, all classed as revenue, during the year and there were no dividends that were individually above our testing threshold. We tested all four dividends (£0.39m) and confirmed that the classification was consistent with the underlying nature of the payment. • We agreed a sample of dividends (including all of the special dividends) received from the income report to an independent pricing source, recalculated the dividend amount receivable and confirmed that the cash received as shown on bank statements was consistent with the recalculated amount. • For dividends accrued, we reviewed the investee company announcements to assess whether the dividend obligations arose prior to 30 June 2021. • We selected a sample of investments from the Company's valuation report, checked to an independent source for any dividends (including special dividends) declared by those securities and agreed the recognition of such dividends to the income report. • To test for the risk of management override, we tested a sample of journal entries and other adjustments made in the preparation of the financial statements relating to special dividends.	**The results of our procedures are:** We have no matters to communicate with respect to the procedures in response to the risk of incorrect or inaccurate income recognition.

Independent auditor's report to the members of TR European Growth Trust PLC (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
The risk of incorrect valuation or defective title of the investment portfolio held at fair value through profit and loss *(as described on page 33 of the Audit Committee Report and as per the accounting policy set out on page 53).* The valuation of the portfolio at 30 June 2021 was £933.5m (2020: £573.1m) consisting primarily of listed equities. In accordance with IFRS, the Company's listed investments have been designated as 'fair value through profit and loss'. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or a failure to maintain proper legal title of the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders. The fair value of listed investments is determined by reference to stock exchange quoted market bid prices at the close of business on the year-end date.	**We performed the following procedures:** • We obtained an understanding of the Administrator's process surrounding the investment pricing process by reviewing their internal control reports and by performing walkthrough procedures. • For all investments in the portfolio, compared the market prices applied to an independent pricing vendor and recalculated the investment valuations as at the year-end. • We compared the Company's investment holdings at 30 June 2021 to independent confirmations received directly from the Company's custodian. • We reviewed any price exception and stale pricing reports to identify any prices that have not changed and tested whether the listed price is a valid fair value.	**The results of our procedures are:** We have no matters to communicate with respect to the procedures that we performed in response to the risk of incorrect valuation or defective title of the investment portfolio.

Independent auditor's report to the members of TR European Growth Trust PLC (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of incorrect calculation of the performance fees *(as described on page 33 of the Audit Committee Report and as per the accounting policy set out on page 53).* The Company pays performance fees to the Manager and £4.5m of performance fees were payable in the year to 30 June 2021 (2020: nil). The Performance fee is calculated as 15% of the outperformance above the Company's benchmark (Euromoney Smaller European Companies (ex UK) Index). This is calculated as an average annual total Net Asset Value ('NAV') return against the average annual total return of the benchmark (in percentage terms, not absolute terms). The performance fee calculation includes a hurdle rate of 1.0% before any performance fee can be earned. The upper limit for the total fee (including management fee) is 2% of NAV of the Company as at last day of the relevant calculation period. 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 have performed the following procedures:** • Obtained an understanding of the Manager's and Administrators' processes and controls with respect to the net asset value used as a basis for the performance fee calculation by performing walkthrough procedures. • Reviewed the IMA to assess the conditions that result in a performance fee being payable. • Reviewed the Administrator's calculation of performance fees for the year ended 30 June 2021 and recalculated the performance fees payable. • Validated applicable external inputs used in the calculations to third party source data, being the share price used as a basis to calculate market capitalisation and the benchmark index. • Validated that the performance fee has only been earned once the hurdle of 1.0% has been met.	**The results of our procedures are:** We have no matters to communicate with respect to the procedures that we performed in response to the risk of incorrect calculation of performance fees.

In the prior year, our auditor's report included a key audit matter in relation to the impact of Covid-19 on the Company and its operations. The impact of Covid-19 continued to be relevant to our audit of the Company and we considered its impact as part of our work on going concern which is set out in this report under our conclusions relating to going concern.

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 £8.4m (2020: £5.2m), which is 1% (2020: 1%) of net assets. We have derived our materiality calculation based on a proportion of net assets as we consider it to be the most important financial metric on which shareholders would judge the performance of the Company.

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

Independent auditor's report to the members of TR European Growth Trust PLC (continued)

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2020: 75%) of our planning materiality, namely £6.3m (2020: £3.9m).

Given the importance of the distinction between revenue and capital for the Company, we have also applied a separate testing threshold of £0.6m (2020: £0.3m) for the revenue column of the Statement of Comprehensive Income being 5% of revenue profit before tax.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.4m (2020: £0.3m), 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 1 to 38 and 73 to 80, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of 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 themselves. 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.

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' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Independent auditor's report to the members of TR European Growth Trust PLC (continued)

Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 53;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 18;
- Directors' statement on fair, balanced and understandable set out on page 38;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 17 and 18;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 29; and
- The section describing the work of the audit committee set out on page 32 and 33.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 36, 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and its management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are International Accounting Standards in conformity with the Companies Act 2006, the Companies Act 2006, the Listing Rules, UK Corporate Governance Code, the Code of Corporate Governance published by the Association of Investment Companies and Statement of Recommended Practice, s.1158 of the Corporation Tax Act 2010 and The Companies (Miscellaneous Reporting) Regulations 2018.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.

Independent auditor's report to the members of TR European Growth Trust PLC (continued)

- 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 the incomplete or inaccurate income recognition through the incorrect classification of special dividends in the Statement of Comprehensive Income. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

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

- Following the recommendation from the audit committee, we were appointed by the Company in 2017 to audit the financial statements for the year ending 30 June 2018 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ending 30 June 2018 to 30 June 2021.
- 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.

Matthew Price (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London
13 October 2021

Statement of Comprehensive Income

Note		Year ended 30 June 2021 Revenue return £'000	Year ended 30 June 2021 Capital return £'000	Year ended 30 June 2021 Total return £'000	Year ended 30 June 2020 Revenue return £'000	Year ended 30 June 2020 Capital return £'000	Year ended 30 June 2020 Total return £'000
2	Investment income	13,475	–	13,475	9,123	–	9,123
2	Other income	–	–	–	1	–	1
9	Gains on investments held at fair value through profit or loss	–	326,600	326,600	–	9,464	9,464
	Total income	**13,475**	**326,600**	**340,075**	**9,124**	**9,464**	**18,588**
	Expenses						
3	Management and performance fee	(826)	(7,853)	(8,679)	(582)	(2,329)	(2,911)
4	Other operating expenses	(720)	–	(720)	(716)	–	(716)
	Profit before finance costs and taxation	**11,929**	**318,747**	**330,676**	**7,826**	**7,135**	**14,961**
5	Finance costs	(155)	(620)	(775)	(141)	(564)	(705)
	Profit before taxation	**11,774**	**318,127**	**329,901**	**7,685**	**6,571**	**14,256**
6	Taxation	(1,384)	–	(1,384)	(731)	–	(731)
	Profit for the year and total comprehensive income	**10,390**	**318,127**	**328,517**	**6,954**	**6,571**	**13,525**
7	Return per ordinary share – basic and diluted	20.73p	634.88p	655.61p	13.88p	13.11p	26.99p

The total column of this statement represents the Statement of Comprehensive Income, prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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

All income is attributable to the equity holders of the Company.

The notes on pages 52 to 71 form part of these financial statements

Statements of Changes in Equity

Note		Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
		Year ended 30 June 2021					
	Total equity at 1 July 2020	6,264	120,364	13,964	358,759	24,023	523,374
	Total comprehensive income:						
	Profit for the year	–	–	–	318,127	10,390	328,517
8	Ordinary dividends paid	–	–	–	–	(11,224)	(11,224)
	Total equity at 30 June 2021	**6,264**	**120,364**	**13,964**	**676,886**	**23,189**	**840,667**

Note		Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
		Year ended 30 June 2020					
	Total equity at 1 July 2019	6,264	120,364	13,964	352,188	28,243	521,023
	Total comprehensive income:						
	Profit for the year	–	–	–	6,571	6,954	13,525
8	Ordinary dividends paid	–	–	–	–	(11,174)	(11,174)
	Total equity at 30 June 2020	**6,264**	**120,364**	**13,964**	**358,759**	**24,023**	**523,374**

The notes on pages 52 to 71 form part of these financial statements

Balance Sheet

Note		At 30 June 2021 £'000	At 30 June 2020 £'000
	Non current assets		
9	Investments held at fair value through profit or loss	933,499	573,086
	Current assets		
12	Receivables	3,412	4,453
	Cash and cash equivalents	–	57
		3,412	**4,510**
	Total assets	**936,911**	**577,596**
	Current liabilities		
13	Payables	(7,145)	(5,941)
	Bank overdrafts	(89,099)	(48,281)
		(96,244)	**(54,222)**
	Net assets	**840,667**	**523,374**
	Equity attributable to equity shareholders		
15	Called up share capital	6,264	6,264
16	Share premium account	120,364	120,364
17	Capital redemption reserve	13,964	13,964
	Retained earnings:		
17	Other capital reserves	676,886	358,759
18	Revenue reserve	23,189	24,023
19	**Total equity**	**840,667**	**523,374**
19	**Net asset value per ordinary share – basic and diluted**	**1,677.70p**	**1,044.48p**

The financial statements on pages 48 to 71 were approved and authorised for issue by the Board on 13 October 2021 and signed on its behalf by:

Daniel Burgess
Director

The notes on pages 52 to 71 form part of these financial statements

Cash Flow Statement

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Operating activities		
Profit before taxation	329,901	14,256
Add back: interest payable	775	705
Less: gains on investments held at fair value through profit or loss	(326,600)	(10,433)
Sales of investments held at fair value through profit or loss	458,813	341,928
Purchases of investments held at fair value through profit or loss	(495,971)	(324,358)
Withholding tax on dividends deducted at source	(2,116)	(1,354)
Decrease/(increase) in prepayments and accrued income	295	(35)
Decrease in amounts due from brokers	1,287	559
Increase in accruals and deferred income	5,415	687
Increase in amounts due to brokers	(4,211)	(1,464)
Net cash (outflow)/inflow from operating activities before interest and taxation[1]	**(32,412)**	**20,491**
Interest paid	(775)	(705)
Taxation recovered	144	271
Net cash (outflow)/inflow from operating activities	**(33,043)**	**20,057**
Financing activities		
Equity dividends paid (net of refund of unclaimed dividends – see note 8)	(11,224)	(11,174)
Net drawdown/(repayment) of bank overdraft	44,210	(8,826)
Net cash raised/(used) in financing	**32,986**	**(20,000)**
(Decrease)/increase in cash and cash equivalents	**(57)**	**57**
Cash and cash equivalents at the start of the year	57	–
Cash and cash equivalents at the end of the year	**–**	**57**
Comprising:		
Cash at bank	–	57
	–	**57**

1 In accordance with IAS7.31 cash inflow from dividends was £11,699,000 (2020: £7,280,000) and cash inflow from interest was £nil (2020: £1,000)

The notes on pages 52 to 71 form part of these financial statements

Notes to the Financial Statements

1 Accounting policies

a) Basis of preparation

TR European Growth Trust PLC is a company registered in England and Wales with number 02520734. The Company is listed on the London Stock Exchange and subject to the provisions of the Companies Act 2006 as set out in English law. The financial statements of the Company for the year ended 30 June 2021 have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 (the 'Act'). These comprise standards and interpretations approved by International Accounting Standards Board ('ISAB'), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the IFRS Interpretations Committee ('IFRS IC') that remain in effect. The accounting policies have been consistently applied in the current and previous year.

The financial statements have been prepared on a going concern basis. They have also been prepared on the historical cost basis, except for the revaluation of certain financial instruments at fair value through profit and loss. The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for investment trusts issued by the Association of Investment Companies ('AIC') in October 2019 is consistent with the requirements of IFRSs, the directors have sought to prepare the financial statements on a basis consistent with the recommendations of the SORP.

The financial position of the Company is described in the Strategic Report on pages 1 to 21. Note 14 to the financial statements includes the Company's policies and process for managing its capital; its financial risk management objectives; and details of financial instruments and exposure to credit risk and liquidity risk.

Accounting standards

i) The following new and amended standards are relevant and applicable to the Company and have been adopted although they have no impact on the financial statements:

Amendments to International Accounting Standards in conformity with the requirements of the Companies Act 2006. Pronouncements issued and effective for the current year end:

Standard		Effective for annual periods beginning on or after
IAS 1 and IAS 8 Amendments	Definition of Material	1 January 2020
IAS 1, 8, 34, 37, 38 and IFRS 2, 3, 6, 14 Amendments	References to the Conceptual Framework	1 January 2020
IAS 39, IFRS 7 and 9 Amendments	Interest Rate Benchmark Reform (Phase 1)	1 January 2020
IFRS 3 Amendment	Definition of a Business	1 January 2020
Interpretations		
IFRIC 12, 19, 20, 22 and SIC 32 Amendments	References to the Conceptual Framework	1 January 2020

ii) Relevant new standards, amendments and interpretations issued but not effective for the current financial year and not early adopted by the Company:

Standard		Effective for annual periods beginning on or after
IAS 1 Amendments	Classification of Liabilities as current or non-current	1 January 2023
IAS 1 Amendments	Disclosure of Accounting Policies	1 January 2023
IAS 8 Amendments	Definition of Accounting Estimates	1 January 2023
IAS 16 Amendments	Proceeds before intended use	1 January 2022
IAS 37 Amendments	Onerous Contracts – Cost of fulfilling a contract	1 January 2022
IAS 39, IFRS 4, 7, 9 and 16 Amendments	Interest Rate Benchmark Reform (Phase 2)	1 January 2021
IAS 41, IFRS 1, 9 and 16 Amendments	Annual Improvements 2018-20 Cycle	1 January 2022
IFRS 3 Amendments	Reference to the Conceptual Framework	1 January 2022
IFRS 4 Amendments	Extension of IFRS 9 Deferral	1 January 2023

The directors expect the standards issued not yet effective will have either no impact or that any impact will not be material on the financial statements of the Company in future periods.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

b) Going concern

The Company's shareholders are asked every three years to vote for the continuation of the Company. An ordinary resolution to this effect was put to the annual general meeting held on 25 November 2019 and passed by the substantial majority of the shareholders. The next such resolution will be put to the shareholders at the annual general meeting in 2022.

The directors have considered the impact of Covid-19, including cash flow forecasting, a review of covenant compliance including the headroom above the most restrictive covenants and an assessment of the liquidity of the portfolio. They have concluded that they are able to meet their financial obligations, including the repayment of the bank overdraft, as they fall due for a period of at least twelve months from the date of approval of these financial statements. Having assessed these factors, the principal risks and other matters discussed in connection with the viability statement, the Board has determined that it is appropriate for the financial statements to be prepared on a going concern basis.

c) Investments held at fair value through profit or loss

All investments are held at fair value through profit or loss. Investment transactions are accounted for on a trade date basis. 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 in the Balance Sheet is based on their quoted bid price at the Balance Sheet date, without deduction of the estimated future selling costs. Unquoted investments are valued by the directors using primary valuation techniques such as earnings multiples, recent transactions and net assets. The valuation of private equity holdings are determined with regard to the International Private Equity and Venture Capital Guidelines ('IPEV'). All such valuations are reviewed by the Manager's EMEA Pricing Committee and by the directors at least twice each year.

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

d) Presentation of Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. Additionally, the net revenue is the measure the directors believe appropriate in assessing the Company's compliance with certain requirements set out in s.1158 of the Corporation Tax Act 2010.

e) Income

Dividends receivable on equity shares are recognised as revenue for the year on an ex-dividend basis. Special dividends are treated as revenue return or as capital return, depending on the facts of each individual case. Bank deposit interest is accounted for on an accruals basis.

f) Expenses

All expenses and interest payable are accounted for on an accruals basis. On the basis of the Board's expected long-term split of total returns in the form of capital and revenue returns of 80% and 20%, respectively, the Company charges 80% of its finance costs and management fees to capital. Any performance fees payable are allocated wholly to capital, reflecting the fact that although they are calculated on a total return basis they are expected to be attributable largely, if not wholly, to capital performance. Expenses which are incidental to the purchase or sale of an investment are charged to the capital return column of the Statement of Comprehensive Income and allocated to the other capital reserves. All other operating expenses are charged to the revenue return column of the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

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 Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the effective tax rate of corporation tax for the accounting period.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Statement of Comprehensive Income 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 Statement of Comprehensive Income, then no tax relief is transferred to the capital return column.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Investment trusts which have approval as such under s.1158 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

h) Dividends

Dividends payable to shareholders are recognised in the financial statements when they are paid or, in case of final dividends, when they are approved by shareholders. Dividends are dealt with in the Statement of Changes in Equity. Following the change to the Company's Article of Association with effect from 21 November 2016 dividends may be paid from the revenue reserve or realised capital profits.

i) Foreign currency

For the purposes of the financial statements, the results and financial position of each entity are expressed in pounds Sterling, which is the functional currency of the Company and the presentational currency of the Company. Sterling is the functional currency because it is the 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 that are denominated in overseas currencies at the balance sheet date are translated into Sterling at the exchange rates ruling at that date. Exchange gains and losses on investments held at fair value through profit or loss are included within "Gains or losses on investments held at fair value through profit or loss".

j) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. In the Cash Flow Statement, cash and cash equivalents includes cash in hand and deposits held at call with banks. In the Balance Sheet, bank overdrafts are not included in cash and cash equivalents, but are disclosed within current liabilities.

k) Bank borrowings

Interest bearing bank loans and overdrafts are recorded initially at fair value, being the proceeds received, net of direct issue costs. They are subsequently measured at amortised cost. Finance costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

l) Receivables

Receivables are amounts due from securities sold for future settlement, withholding tax recoverable, prepayments and accrued income in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Receivables are recognised initially at fair value and subsequently measured at amortised cost.

m) Payables

Payables are obligations to pay for securities purchased for future settlement, accruals and deferred income that have been acquired/incurred in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Payables are recognised initially at fair value and subsequently measured at amortised cost.

n) Repurchase of ordinary shares

The costs of repurchasing ordinary shares, including related stamp duty and transaction costs, are taken directly to equity and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of called up share capital and into the capital redemption reserve.

o) Capital reserves

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

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

Capital reserve arising on revaluation of 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.

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

Capital redemption reserve
The capital redemption reserve represents the nominal value of ordinary shares repurchased and cancelled.

Share capital
Share capital represents the nominal value of ordinary shares issued.

Share premium
The share premium account represents the premium above nominal value received by the Company on issuing shares net of issue costs.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

p) Key estimates and assumptions

The key estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity are those relating to the valuation of unquoted investments and disclosed in notes 9 and 14.5. As the value of unquoted investments represented 0.01% of net assets (2020: 0.01%), these are not considered material. Consequently there are no areas of significant estimate or judgment.

The result of these estimates and assumptions form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The only estimates and assumptions that may cause material adjustment to the carrying value of assets and liabilities relate to the valuation of unquoted investments. These are valued in accordance with the techniques set out in note 1. At the year end, unquoted investments represented 0.01% of net assets (2020: 0.01%). These comprise the entirety of the Company's Level 3 investments.

q) Operating segments

Under IFRS 8, operating segments are considered to be components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The directors meet regularly to consider investment strategy and monitor the Company's performance. The Fund Manager, who has been designated by the Manager to manage the Company's investments, attends all Board meetings at which investment strategy and performance are discussed. The directors consider that the Company has one operating segment, being the activity of investing in shares and securities primarily for capital appreciation in accordance with the Company's published investment objective.

An analysis of investments by country has been provided on page 11. Further analyses of expenses, investment gains or losses, profit and other assets and liabilities by country have not been given as either it is not possible to prepare such information in a meaningful way or the results are not considered to be significant.

2 Investment income

a) Investment income

	2021 £'000	2020 £'000
Overseas dividend income from listed investments	**13,475**	**9,123**

In 2020 the Company received a transfer in the form of a dividend from its subsidiary company of £969,000, which is included in the income above.

All overseas dividend income is derived from investments in Continental Europe.

b) Other income

	2021 £'000	2020 £'000
Bank interest	–	1
	–	**1**

3 Management and performance fees

	2021			2020		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Management fee	826	3,304	4,130	582	2,329	2,911
Performance fee	–	4,549	4,549	–	–	–
Total	**826**	**7,853**	**8,679**	**582**	**2,329**	**2,911**

A summary of the terms of the management agreement is given on page 14.

Notes to the Financial Statements (continued)

4 Other operating expenses

	2021 £'000	2020 £'000
Auditor's remuneration[1]	40	35
Directors' fees and expenses[2]	193	198
Other expense payable to the management company[3]	70	70
Custody fees	180	147
Depositary charges	46	42
Printing	29	15
AIC fee	21	21
Irrecoverable VAT[3]	2	44
Other expenses	139	144
	720	**716**

Expenses are net of VAT

1 The auditor has not undertaken any non-audit services in either period
2 Directors fees and expenses are related party transactions, more detail can be found in note 21. A breakdown of directors fees and expenses can be found in the Directors' Remuneration Report
3 Other expenses comprise fees payable to Janus Henderson which relate to marketing activities. This is a related party transaction, more detail can be found in note 21

5 Finance costs

	2021			2020		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Bank overdraft interest	155	620	775	141	564	705

Notes to the Financial Statements (continued)

6 Taxation

a) Analysis of charge in year

	2021 Revenue return £'000	2021 Capital return £'000	2021 Total return £'000	2020 Revenue return £'000	2020 Capital return £'000	2020 Total return £'000
Foreign withholding taxes	2,116	–	2,116	1,397	–	1,397
Overseas tax reclaimable	(732)	–	(732)	(666)	–	(666)
Total current tax for the year (see note 6 b)	**1,384**	**–**	**1,384**	**731**	**–**	**731**

b) Factors affecting tax charge for the year

The standard rate of corporation tax in the UK is 19% with effect from 1 April 2017. The tax assessed for the year ended 30 June 2021 is lower than the effective rate of corporation tax of 19% (2020: 19%)

	2021 Revenue return £'000	2021 Capital return £'000	2021 Total return £'000	2020 Revenue return £'000	2020 Capital return £'000	2020 Total return £'000
Net profit on ordinary activities before taxation	**11,774**	**318,127**	**329,901**	7,685	6,571	14,256
Corporation tax at 19% (2020: 19%)	2,237	60,444	62,681	1,460	1,249	2,709
Effects of:						
Gains on investments held not taxable	–	(62,054)	(62,054)	–	(1,799)	(1,799)
Expenses unutilised for tax purposes	129	1,610	1,739	–	550	550
Non-taxable dividends	(2,366)	–	(2,366)	(1,733)	–	(1,733)
Overseas tax	1,384	–	1,384	731	–	731
Losses available to be utilised	–	–	–	273	–	273
Tax charge	**1,384**	**–**	**1,384**	**731**	**–**	**731**

c) Provision for deferred taxation

No provision for deferred taxation has been made in the current year or in the prior year. Due to the Company's tax status as an investment trust and the intention to continue meeting the conditions required to maintain approval of such status in the foreseeable future, the Company has not provided deferred tax on any capital gains arising on the revaluation or disposal of investments.

d) Factors that may affect future tax charges

The Company can offset management fees, performance fees and other administrative expenses and interest costs against taxable income to eliminate any tax charge on such income. The tax legislation refers to these as management expenses (management fees, performance fees and other administrative expenses) and non-trade loan relationship deficits (interest costs). Where these are not fully utilised, they can be carried forward to future years. As the Company is unlikely to generate future taxable profits to utilise these amounts, the Company cannot recognise an asset to reflect them, but must still disclose the deferred tax amount carried forward arising from any unutilised amounts.

Consequently, the Company has not recognised a deferred tax asset totalling £13,521,000 (2020: £8,509,000) arising as a result of having unutilised management expenses and unutilised non-trade loan relationship deficits, and based on a prospective tax rate of 25% (2020: 19%). These expenses will only be utilised, to any material extent, if changes are made either to the tax treatment of the capital gains made by investment trusts or to the Company's investment profile which require them to be used.

Notes to the Financial Statements (continued)

7 Return per ordinary share

The return per ordinary share figure is based on the net gain for the year of £328,517,000 (2020: gain £13,525,000) and on the weighted average number of ordinary shares in issue during the year of 50,108,397 (2020: 50,108,397).

The return per ordinary share figure detailed above can be further analysed between revenue and capital, as below. The company has no securities in issue that could dilute the return per ordinary share. Therefore the basic and diluted return per ordinary share are the same.

	2021 £'000	2020 £'000
Net revenue profit	10,390	6,954
Net capital profit	318,127	6,571
Net profit	**328,517**	**13,525**
Weighted average number of ordinary shares in issue during the year	50,108,397	50,108,397

	2021 Pence	2020 Pence
Revenue return per ordinary share	20.73	13.88
Capital return per ordinary share	634.88	13.11
Total return per ordinary share	**665.61**	**26.99**

8 Dividends

	2021 £'000	2020 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend of 14.20p for the year ended 30 June 2020 (2019: 14.50p)	7,115	7,266
Interim dividend of 8.20p per ordinary share for the year ended 30 June 2021 (2020: 7.80p)	4,109	3,908
	11,224	**11,174**

The final dividend of 14.20p per ordinary share in respect of the year ended 30 June 2020 was paid on 27 November 2020 to shareholders on the Register of Members at the close of business on 23 October 2020. The total dividend paid amounted to £7,115,000.

Subject to approval at the annual general meeting in November 2021, the proposed final dividend of 16.80p per ordinary share will be paid on 3 December 2021 to shareholders on the Register of Members at the close of business on 22 October 2021. The shares will be quoted ex-dividend on 21 October 2021.

The proposed final dividend for the year ended 30 June 2021 has not been included as a liability in these financial statements. Under IFRSs, these dividends are not recognised until approved by shareholders.

The total dividends payable in respect of the financial year which form the basis of s.1158 are set out below:

	2021 £'000	2020 £'000
Revenue available for distribution by way of dividends for the year	10,390	6,954
Interim dividend of 8.20p per ordinary share for the year ended 30 June 2021 (2020: 7.80p)	(4,109)	(3,908)
Proposed total dividend for the year ended 30 June 2021 – 16.80p (2020: 14.20p) (based on 50,108,397 shares in issue at 11 October 2021)	(8,418)	(7,115)
Transfer from revenue reserve	**(2,137)**	**(4,069)**

For s.1158 purposes there is no undistributed revenue (2020: same) of total income.

Notes to the Financial Statements (continued)

9 Investments held at fair value through profit or loss

	2021 £'000	2020 £'000
Valuation at 1 July	573,086	581,365
Investment holding gains at 1 July	(9,060)	(8,198)
Cost at 1 July	**564,026**	**573,167**
Purchases at cost	495,971	324,358
Sales at cost	(315,785)	(333,499)
Cost at 30 June	**744,212**	**564,026**
Investment holding gains at 30 June	189,287	9,060
Valuation of investments at 30 June	**933,499**	**573,086**

The Company received £458,813,000 (2020: £341,928,000) from investments sold in the year. The book cost of these investments when they were purchased were £315,785,000 (2020: £333,499,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Included in the total investments are investments shown at the directors' fair valuation of £72,000 and classified as Level 3 investments (2020: £77,000). Further detail is provided in note 14.5 on page 67.

Purchase and sale transaction costs for the Company during the year ended 30 June 2021 were £611,000 and £181,000 respectively (2020: transaction costs of purchases £282,000; transaction costs of sales £131,000). These comprise mainly stamp duty and commission.

Total capital gains/(losses) from investments

	2021 £'000	2020 £'000
Realised gains based on historical cost	143,028	8,500
Less revaluation gains recognised in previous years	(37,079)	(8,757)
Gains/(losses) on investments sold in year on carrying value at the previous balance sheet date	**105,949**	**(257)**
Revaluation of investments held at 30 June	217,306	10,588
Exchange gains	3,345	102
Total	**326,600**	**10,433**

10 Subsidiaries and related undertakings

The Company had one related undertaking, a subsidiary in which it held 100% of the interest. The subsidiary, TREG Finance Limited, was registered in England and Wales and operated in the United Kingdom as an investment dealing company. The entire issued share capital of £2 consisted of two ordinary shares held directly by the Company. Its registered office was 201 Bishopsgate, London EC2M 3AE. The investment was stated in the Company's financial statements at the NAV, which was considered by the directors to equate to fair value. During the prior year the subsidiary was put into liquidation and the remaining reserves in the subsidiary were paid to the Company. The financial statements have been prepared on a Company only basis following the liquidation of the Company's subsidiary during the year ended 30 June 2020. These figures have previously been reported on a consolidated basis.

Notes to the Financial Statements (continued)

11 Substantial interests

The Company has interests of 3% or more of any class of capital in six investee companies. These investments are not considered by the directors to be significant in the context of these financial statements.

Company	Valuation £'000	% of issued share capital
Manz	14,827	3.4
Delticom	5,196	4.5
Indel	4,948	3.7
Apontis Pharma	4,055	3.2
Singulus Technologies	1,622	3.8
21 Centrale Partners III	72	3.0

The Company also has an interest of more than 3% in Safwood. Safwood is a Level 3 security and valued at zero in the portfolio at 30 June 2021.

12 Receivables

	2021 £'000	2020 £'000
Securities sold for future settlement	776	2,063
Withholding tax recoverable	2,425	1,884
Prepayments and accrued income	211	506
	3,412	**4,453**

13 Payables

	2021 £'000	2020 £'000
Securities purchased for future settlement	–	4,211
Accruals and deferred income	7,145	1,730
	7,145	**5,941**

Notes to the Financial Statements (continued)

14 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 objectives as stated in the Strategic Report. In pursuing its investment objective, the Company is exposed to a variety of financial risks that could result in either a reduction in net assets or a reduction in the profits available for distribution by way of dividends.

These financial risks: market risk (comprising market price risk, currency risk and interest rate risk), liquidity risk and credit risk, and the directors' approach to the management of these risks, are set out below. The Board and Janus Henderson co-ordinate 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 management of risk have not changed from the previous accounting period and are the same for the Company except where separate disclosures are made.

14.1 Market risk

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

14.1.1 Market price risk

Market price risks (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the fair value of the listed and unquoted investments.

Management of the risk

The Board manages the risks inherent in the investment portfolio by ensuring full and timely reporting of relevant information from Janus Henderson. Investment performance is reviewed at each Board meeting. The Board monitors Janus Henderson's compliance with the Company's objectives.

The Company's exposure to changes in market prices on equity investments was £933,499,000 (2020: £573,086,000).

Concentration of exposure to market price risk

A geographical analysis of the Company's investment portfolio is shown on page 11.

Market price risk sensitivity

The sensitivity of (a) the return after taxation for the year and (b) the Company's net assets to an increase or decrease of 20% in the fair values of the Company's investments at each balance sheet date is given below. This level of change is considered to be reasonably possible, based on observation of current market conditions.

The impact of a 20% increase in the value of the investments on the revenue return as at 30 June 2021 is a decrease of £187,000 (2020: £115,000) and on the capital return is an increase of £185,953,000 (2020: £114,159,000). Accordingly, the total impact on shareholders' funds is an increase of £185,766,000 (2020: £114,044,000).

The impact of a 20% decrease in the value of the investments on the revenue return as at 30 June 2021 is an increase of £187,000 (2020: £115,000) and on the capital return is a decrease of £185,953,000 (2020: £114,159,000). Accordingly, the total impact on shareholders' funds is a decrease of £185,766,000 (2020: £114,044,000).

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.1.2 Currency risk

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

Management of the risk

Janus Henderson monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board at each Board meeting. Janus Henderson measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's NAV and total return of a movement in the exchange rate to which the Company's assets, liabilities, income and expenses are exposed. The Company does not hedge its foreign currency exposure.

Foreign currency borrowing and financial instruments may be used to limit the Company's exposure to future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. Borrowings are limited to 30% of NAV.

Investment income denominated in foreign currencies is converted into Sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

Foreign currency exposure

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

2021	**Euro £'000**	**Swedish Krone £'000**	**Swiss Franc £'000**	**Other £'000**
Receivables (securities sold for future settlement, dividends and other income receivable)	1,823	41	1,250	272
Payables (securities purchased for future settlement, accruals and other payables)	(89)	–	–	–
Bank overdrafts	(89,099)	–	–	–
Total foreign currency exposure on net monetary items	**(87,365)**	**41**	**1,250**	**272**
Investments	653,627	125,449	66,381	88,042
Total net foreign currency exposure	**566,262**	**125,490**	**67,631**	**88,314**

2020	Euro £'000	Swedish Krone £'000	Swiss Franc £'000	Other £'000
Receivables (securities sold for future settlement, dividends and other income receivable)	1,502	549	2,168	223
Payables (securities purchased for future settlement, accruals and other payables)	(338)	(76)	(108)	(3,736)
Bank overdrafts	(48,281)	–	–	–
Total foreign currency exposure on net monetary items	**(47,117)**	**473**	**2,060**	**(3,513)**
Investments	399,996	68,474	58,954	39,876
Total net foreign currency exposure	**352,879**	**68,947**	**61,014**	**36,363**

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

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.1.2 Currency risk (continued)

Foreign currency sensitivity

The following tables illustrate the sensitivity of the total profit after tax for the year and the net assets in regard to movements in the Company's foreign currency financial assets and financial liabilities caused by changes in the exchange rates for the Euro/Sterling, Swedish Krone/Sterling, Swiss Franc/Sterling and other/Sterling.

It assumes the following changes in exchange rates:

Euro/Sterling +/- 10% (2020: 10%). Swedish Krone/Sterling +/- 10% (2020: 10%).
Swiss Franc/Sterling +/- 10% (2020: 10%). Other/Sterling +/- 10% (2020: 10%).

These percentages are deemed reasonable based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Company's foreign currency financial assets and financial liabilities held at each balance sheet date.

The impact on the total profit after tax and the year end net assets of a depreciation in the year end exchange rate for Sterling against the currencies shown would have been as follows:

	2021				2020			
	Euro £'000	Swedish Krone £'000	Swiss Franc £'000	Other £'000	Euro £'000	Swedish Krone £'000	Swiss Franc £'000	Other £'000
Profit after tax								
Revenue return	743	169	113	127	464	52	168	26
Capital return	72,331	13,882	7,346	7,839	44,228	7,571	6,518	4,410
Change to profit after tax for the year	**73,074**	**14,051**	**7,459**	**7,966**	**44,692**	**7,623**	**6,686**	**4,436**
Impact on net assets	**73,074**	**14,051**	**7,459**	**7,966**	**44,692**	**7,623**	**6,686**	**4,436**

The impact on the total profit after tax and the year end net assets of an appreciation in the year end exchange rate for Sterling against the currencies shown would have been as follows:

	2021				2020			
	Euro £'000	Swedish Krone £'000	Swiss Franc £'000	Other £'000	Euro £'000	Swedish Krone £'000	Swiss Franc £'000	Other £'000
Profit after tax								
Revenue return	(608)	(138)	(92)	(104)	(379)	(42)	(137)	(22)
Capital return	(59,181)	(11,358)	(6,010)	(6,414)	(36,186)	(6,195)	(5,333)	(3,607)
Change to profit after tax for the year	**(59,789)**	**(11,496)**	**(6,102)**	**(6,518)**	**(36,565)**	**(6,237)**	**(5,470)**	**(3,629)**
Impact on net assets	**(59,789)**	**(11,496)**	**(6,102)**	**(6,518)**	**(36,565)**	**(6,237)**	**(5,470)**	**(3,629)**

The above amounts are representative of the exposure to risk during the year, although levels of monetary foreign currency exposure in each currency will change as investments are bought and sold in the portfolio during the year.

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.1.3 Interest rate risk

Interest rate movements may affect the level of interest receivable from cash and cash equivalents and the interest payable on the Company's short term borrowings. Interest rate changes may also have an impact on the market value of the Company's equity investments. In particular, the effect of interest rate changes on the earnings of companies held within the portfolio may have a significant impact on the valuations of those companies.

Management of the risk
The Company finances part of its activities through borrowings at levels approved and monitored by the Board. Derivative contracts are not used to hedge against the exposure to interest rate risk.

Interest rate exposure
The exposure of financial assets and liabilities to floating interest rate risk can be found on the Balance Sheet under the headings 'Cash and cash equivalents' and 'Bank overdrafts'. These amounts are not necessarily representative of the exposure to interest rates during the year as the level of exposure changes as investments are made, borrowings are drawn down and repaid. The Company does not have any fixed interest rate exposure.

Interest received on cash balances or paid on the bank overdraft is at a margin over the applicable base rate (2020: same).

Interest rate sensitivity
The impact on the total profit after tax and the year end net assets of an increase or decrease of 100 basis points (2020: 100 basis points) in interest rates would have been as follows:

Statement of Comprehensive Income	**Increase in rates 2021 £'000**	**Decrease in rates 2021 £'000**	Increase in rates 2020 £'000	Decrease in rates 2020 £'000
Profit after tax				
Revenue return	(178)	178	(96)	96
Capital return	(713)	713	(386)	386
Change to net profit and net assets	**(891)**	**891**	**(482)**	**482**

This level of change is considered to be reasonable based on current market conditions.

In the opinion of the directors, these sensitivity analyses are not representative of the year as a whole since exposure changes as investments are made and borrowings are drawn down or repaid throughout the year.

14.2 Liquidity risk

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

Management of the risk
Liquidity risk is not significant as the majority of the Company's assets are investments in listed securities that are readily realisable. During the year the Company had a secured multi-currency overdraft facility equal to the lesser of £160,000,000 (2020: £100,000,000) and 25% (2020: 25%) of custody assets with HSBC Bank plc, the Company's depositary and custodian.

The amount drawn down at 30 June 2021 was £89,099,000 (2020: £48,281,000) in Euros (2020: Euros).

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

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.2 Liquidity risk (continued)

Liquidity risk exposure

The remaining contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required, was as follows:

	2021 3 months or less £'000	2021 Total £'000	2020 3 months or less £'000	2020 Total £'000
Current liabilities:				
Borrowings under the overdraft facility	89,099	89,099	48,281	48,281
Amounts due in relation to securities purchased for future settlement and accruals	7,145	7,145	5,941	5,941
	96,244	**96,244**	**54,222**	**54,222**

The Company's cash balances are offset against its borrowings under the overdraft facility for the purposes of monitoring the level of borrowing within the overdraft limit.

14.3 Credit risk

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

Management of the risk

Credit risk is managed as follows:

- transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Company of default;
- investment transactions are carried out with a large number of approved brokers, whose credit-standard is reviewed periodically by Janus Henderson, and limits are set on the amount that may be due from any one broker;
- cash is held only with the custodian/depositary or reputable banks. The entity with which cash is held is subject to continual review.

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

Outstanding settlements are subject to credit risk. Credit risk is mitigated by the Company through its decision to transact with counterparties of high credit quality. The Company only buys and sells investments through brokers which are approved counterparties, thus minimising the risk of default during settlement. The credit ratings of brokers are reviewed periodically by Janus Henderson and limits are set on the amount that may be due from any one broker.

The Company is also exposed to credit risk through the use of banks for 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 the custodian, HSBC Bank plc. The directors believe this counterparty is of high credit quality; therefore the Company has minimal exposure to credit risk.

Credit risk exposure

The table below summarises the maximum credit risk exposure of the Company as at the year end:

	2021 £'000	2020 £'000
Receivables:		
Securities sold for future settlement	776	2,063
Accrued income	185	495
Cash and cash equivalents	–	57
	961	**2,615**

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.4 Fair values of financial assets and financial liabilities

Financial assets and financial liabilities are either carried in the Balance Sheet at their fair value (investments) or their carrying amount is a reasonable approximation of fair value due to their short term to maturity (amounts due from securities sold for future settlement, dividends and interest receivable, amounts related to securities purchased for future settlement, accruals, cash and cash equivalents and bank overdrafts).

14.5 Fair value hierarchy disclosures

The table below sets out the fair value measurements using the IFRS 13 fair value hierarchy.

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

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

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

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

The valuation techniques used by the Company are explained in the accounting policies note on page 53.

Fair value hierarchy	2021 £'000
Equity Investments	
Level 1	933,427
Level 2	–
Level 3	72
Total	**933,499**

Level 3 represents the Company's unquoted investments. A reconciliation of fair value movements within Level 3 is set out below:

Level 3 investments at fair value through profit or loss	2021 £'000
Opening balance	77
Acquisitions	–
Disposal proceeds	–
Transfers into level	–
	77
Total gains included in the Statement of Comprehensive Income	
On assets sold	–
On assets held at the year end	(5)
	(5)
Closing balance	**72**

Fair value hierarchy	2020 £'000
Equity Investments	
Level 1	573,009
Level 2	–
Level 3	77
Total	**573,086**

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.5 Fair value hierarchy disclosures (continued)

Level 3 investments at fair value through profit or loss	Company 2020 £'000
Opening balance	1,072
Acquisitions	–
Disposal proceeds	–
Transfers into level	–
	1,072
Total gains included in the Statement of Comprehensive Income	
On assets sold	(969)
On assets held at the year end	(26)
	(995)
Closing balance	**77**

The key inputs to unquoted investments (i.e the holdings in 21 Centrale Partners III) included within Level 3 are net asset value statements provided by investee entities, which represent fair value.

The total value of unquoted investments as at 30 June 2021 was £72,000 (2020: £77,000).

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 income and capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The portfolio includes unquoted investments which total 0.01% of the total portfolio (2020: 0.01%). These unquoted investments include limited liability partnerships (where the valuations are based on accounts produced by those companies).

The Company's capital at 30 June 2021 comprised its equity share capital, reserves and debt that are shown in the Balance Sheet at a total of £929,766,000 (2020: £571,655,000).

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

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

The Company's policies and processes for managing capital are unchanged from the preceding accounting period. The Company is subject to the following externally imposed capital requirements:

- as a public company, the Company has a minimum share capital of £50,000; and
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by law.

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

Notes to the Financial Statements (continued)

15 Called up share capital

	2021 number of shares	2021 £'000	2020 number of shares	2020 £'000
Allotted, issued and fully paid				
Ordinary shares of 12.5p	**50,108,397**	**6,264**	50,108,397	6,264

During the year no ordinary shares were issued (2020: same) for proceeds of £nil (2020: same). In the current and prior financial year to date, the Company has not repurchased any shares for cancellation.

16 Share premium account

	2021 £'000	2020 £'000
At 1 July and 30 June	120,364	120,364

17 Capital redemption reserve and other capital reserves

2021	Capital redemption reserve £'000	Other capital reserve arising on revaluation of investments held £'000	Other capital reserve arising on investments sold £'000	Total other capital reserves £'000
At 1 July 2020	13,964	9,060	349,699	358,759
Transfer on disposal of investments (see note 9)	–	(37,079)	37,079	–
Capital gains for the year	–	217,306	105,949	323,255
Expenses, finance costs and taxation charged to capital	–	–	(8,473)	(8,473)
Net gains on foreign exchange	–	–	3,345	3,345
At 30 June 2021	**13,964**	**189,287**	**487,599**	**676,886**

The capital reserve arising on revaluation of investments held at 30 June 2021 includes a loss of £5,551,000 in respect of the revaluation of unquoted investments (2020: loss of £5,546,000).

2020	Capital redemption reserve £'000	Other capital reserve arising on revaluation of investments held £'000	Other capital reserve arising on investments sold £'000	Total other capital reserves £'000
At 1 July 2019	13,964	8,201	343,987	352,188
Transfer on disposal of investments (see note 9)	–	(8,757)	8,757	–
Capital gains for the year	–	9,616	(254)	9,362
Expenses, finance costs and taxation charged to capital	–	–	(2,893)	(2,893)
Net gains on foreign exchange	–	–	102	102
At 30 June 2020	**13,964**	**9,060**	**349,699**	**358,759**

18 Retained earnings – revenue reserve

	2021 £'000	2020 £'000
At 1 July	24,023	28,243
Ordinary dividends paid	(11,224)	(11,174)
Revenue return for the year	10,390	6,954
At 30 June	**23,189**	**24,023**

Notes to the Financial Statements (continued)

19 Net asset value per ordinary share

The NAV per ordinary share is based on the net assets attributable to the ordinary shares of £840,667,000 (2020: £523,374,000) and on the 50,108,397 ordinary shares in issue at 30 June 2021 (2020: 50,108,397).

The Company has no securities in issue that could dilute the NAV per ordinary share (2020: same). The NAV per ordinary share at 30 June 2021 was 1,677.70p (2020: 1,044.48p).

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

	2021 £'000	2020 £'000
Net assets attributable to ordinary shares at start of year	523,374	521,023
Profit for the year	328,517	13,525
Dividends paid in the year	(11,224)	(11,174)
Net assets at 30 June	**840,667**	**523,374**

20 Capital commitments and contingent liabilities

Capital commitments

At 30 June 2021 there were capital commitments of £nil (2020: £nil) in respect of the Company's holdings in limited partnerships.

Contingent liabilities

At 30 June 2021 there were no contingent liabilities in respect of sub underwriting participations (2020: same).

21 Transactions with the Manager and related parties

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

Details of the arrangements are given on page 14 in the Strategic Report. The total of the management fee paid or payable to Janus Henderson under the management agreement in respect of the year ended 30 June 2021 was £4,130,000 (2020: £2,911,000), of which £2,276,000 was outstanding at 30 June 2021 (2020: £1,352,000). A performance fee of £4,549,000 (2020: nil) in respect of the year ended 30 June 2021 is payable to the Manager.

In addition to the above services, Janus Henderson facilitates marketing activities with third-parties which are recharged to the Company. The total fees paid or payable for these services for the year ended 30 June 2021 amounted to £70,000 excluding VAT (2020: £70,000), of which £35,000 was outstanding at 30 June 2021 (2020: £97,000).

The compensation payable to key management personnel in respect of short term employment benefits was £192,000. This disclosure relates wholly to the fees of £192,000 payable to the directors in respect of the year (2020: £185,000); the directors are all non-executive and receive no other compensation. The Directors' Remuneration Report on pages 34 and 35 provides more detail. The Company has no employees.

As a matter of operational efficiency, the Company will replace its current benchmark, the Euromoney Smaller European Companies (ex UK) Index with the MSCI Europe ex UK Small Cap Index. The change will improve the quality of the benchmark data available to the fund management team on a day-to-day basis and aligns the benchmark with a number of the Company's peers. The change will become effective from 1 July 2022, the start of the next financial year. This change in the benchmark index will have an indirect impact on the Company's investment policy, which is managed by reference to the benchmark, and performance fees payable by the Company to the Manager, as such fees are determined based on performance relative to the benchmark.

The Company and the Manager have entered into an agreement to reflect the change in the benchmark in connection with the calculation of the performance fee with effect from 1 July 2022. The performance relative to the benchmark for years prior to 1 July 2022 for the purposes of the calculation of any performance fees (which is calculated on a three-year rolling basis), shall remain unchanged and will continue to be calculated relative to the Euromoney Smaller European (ex UK) Index.

The Agreement is considered a smaller related party transaction for the purposes of Listing Rule 11.1.10R.

Notes to the Financial Statements (continued)

22 Change in financial liabilities

	At 1 July 2020 £'000	Cash flows £'000	Non-cash changes foreign exchange movement £'000	At 30 June 2021 £'000
Bank overdrafts	(48,281)	(44,210)	3,392	(89,099)
Total	**(48,281)**	**(44,210)**	**3,392**	**(89,099)**

	At 1 July 2019 £'000	Cash flows £'000	Non-cash changes foreign exchange movement £'000	At 30 June 2020 £'000
Bank overdrafts	(57,280)	8,826	173	(48,281)
Total	**(57,280)**	**8,826**	**173**	**(48,281)**

Additional information

Westwing, 1.6% of the portfolio
A company specialising in the home and living e-commerce sector

Investment portfolio at 30 June 2021 (unaudited)

Ranking 2021	Ranking 2020	Company	Principal activities	Industry Groups	Geographical area	Valuation 2021 £'000	Percentage of portfolio
1	5	Van Lanschot Kempen	Banks	Financials	Netherlands	18,363	2.0
2	19	Recticel	General Industrials	Industrials	Belgium	17,539	1.9
3	1	TKH	Electronic and Electrical Equipment	Industrials	Netherlands	17,195	1.8
4	2	DFDS	Industrial Transportation	Industrials	Denmark	16,963	1.8
5	31	eDreams ODIGEO	Travel and Leisure	Consumer Discretionary	Spain	15,307	1.6
6	12	Aareal Bank	Banks	Financials	Germany	15,248	1.6
7	73	Manz	Technology Hardware and Equipment	Technology	Germany	14,827	1.6
8	9	BFF Bank	Investment Banking and Brokerage Services	Financials	Italy	14,518	1.6
9	57	Westwing	Retailers	Consumer Discretionary	Germany	14,512	1.6
10	32	Kindred	Travel and Leisure	Consumer Discretionary	Malta	13,907	1.5
		10 Largest				**158,379**	**17.0%**
11	3	Nexans	Electronic and Electrical Equipment	Industrials	France	13,611	1.5
12	–	Montana Aerospace	Aerospace and Defence	Industrials	Switzerland	13,012	1.4
13	25	Criteo	Software and Computer Services	Technology	France	12,018	1.3
14	22	Deutz	Industrial Engineering	Industrials	Germany	11,435	1.2
15	–	Media and Games Invest	Media	Consumer Discretionary	Sweden	11,343	1.2
16	13	Befesa	Waste and Disposal Services	Utilities	Germany	11,074	1.2
17	10	Outotec	Industrial Engineering	Industrials	Finland	10,666	1.1
18	28	PVA	Technology Hardware and Equipment	Technology	Germany	10,320	1.1
19	–	Uniphar	Personal Care Drug and Grocery Stores	Consumer Staples	Ireland	10,299	1.1
20	85	FLEX LNG	Industrial Transportation	Industrials	Norway	10,200	1.1
		20 Largest				**272,357**	**29.2%**
21	40	Kaufman & Broad	Household Goods and Home Construction	Consumer Discretionary	France	10,112	1.1
22	–	Quadient	Technology Hardware and Equipment	Technology	France	9,671	1.0
23	42	OC Oerlikon	Industrial Engineering	Industrials	Switzerland	9,549	1.0
24	–	Friedrich Vorwerk	Construction and Materials	Industrials	Germany	9,463	1.0
25	23	Mersen	Electronic and Electrical Equipment	Industrials	France	9,386	1.0
26	46	Nobia	Household Goods and Home Construction	Consumer Discretionary	Sweden	8,954	1.0
27	–	AIB	Banks	Financials	Ireland	8,587	0.9
28	–	Modern Times	Media	Consumer Discretionary	Sweden	8,532	0.9
29	44	Corticeira Amorim	General Industrials	Industrials	Portugal	8,425	0.9
30	–	Grenergy Renovables	Electricity	Utilities	Spain	8,298	0.9
		30 Largest				**363,334**	**38.9%**
31	43	Credito Emiliano	Banks	Financials	Italy	8,198	0.9
32	64	Bonava	Household Goods and Home Construction	Consumer Discretionary	Sweden	8,034	0.9
33	78	Basware	Software and Computer Services	Technology	Finland	8,004	0.9
34	–	FNAC Darty	Retailers	Consumer Discretionary	France	7,996	0.9
35	67	Mytilineos	General Industrials	Industrials	Greece	7,883	0.8
36	–	Bike24	Retailers	Consumer Discretionary	Germany	7,705	0.8
37	–	Krones	Industrial Engineering	Industrials	Germany	7,583	0.8
38	55	Fjordkraft	Electricity	Utilities	Norway	7,325	0.8
39	70	Grupo Catalana Occidente	Non-life Insurance	Financials	Spain	7,289	0.8
40	14	Karnov	Consumer Services	Consumer Discretionary	Sweden	7,228	0.8
		40 Largest				**440,579**	**47.3%**

Investment portfolio at 30 June 2021 (unaudited) (continued)

Ranking 2021	Ranking 2020	Company	Principal activities	Industry Groups	Geographical area	Valuation 2021 £'000	Percentage of portfolio
41	–	Plastic Omnium	Automobiles and Parts	Consumer Discretionary	France	7,135	0.8
42	–	Bystronic	Industrial Engineering	Industrials	Switzerland	7,112	0.8
43	24	SAES Getters	Electronic and Electrical Equipment	Industrials	Italy	7,082	0.8
44	35	Daetwyler	General Industrials	Industrials	Switzerland	7,063	0.8
45	16	ALSO	Technology Hardware and Equipment	Technology	Switzerland	6,996	0.7
46	–	EnergieKontor	Electricity	Utilities	Germany	6,915	0.7
47	52	Piaggio	Leisure Goods	Consumer Discretionary	Italy	6,833	0.7
48	29	Gaztransport et Technigaz	Oil Gas and Coal	Energy	France	6,811	0.7
49	–	Adva Optical Networking	Telecommunications Equipment	Telecommunications	Germany	6,715	0.7
50	–	Fugro	Construction and Materials	Industrials	Netherlands	6,613	0.7
		50 Largest				**509,854**	**54.7%**
51	–	Nobina	Industrial Transportation	Industrials	Sweden	6,570	0.7
52	27	Boskalis Westminster	Construction and Materials	Industrials	Netherlands	6,556	0.7
53	102	Lisi	Aerospace and Defence	Industrials	France	6,554	0.7
54	7	Finecobank	Banks	Financials	Italy	6,497	0.7
55	–	Cherry	Technology Hardware and Equipment	Technology	Germany	6,477	0.7
56	110	Barco	Technology Hardware and Equipment	Technology	Belgium	6,474	0.7
57	89	KSB	Industrial Engineering	Industrials	Germany	6,465	0.7
58	–	C&C	Beverages	Consumer Staples	Ireland	6,390	0.7
59	4	HelloFresh	Personal Care Drug and Grocery Stores	Consumer Staples	Germany	6,379	0.7
60	103	Bekaert	Industrial Metals and Mining	Basic Materials	Belgium	6,332	0.7
		60 Largest				**574,548**	**61.7%**
61	–	HusCompagniet	Household Goods and Home Construction	Consumer Discretionary	Denmark	6,313	0.7
62	–	Rothschild & Co	Investment Banking and Brokerage Services	Financials	France	6,290	0.7
63	–	Nordnet	Investment Banking and Brokerage Services	Financials	Sweden	6,265	0.7
64	109	Nordex	Alternative Energy	Energy	Germany	6,218	0.7
65	59	Suess MicroTec	Technology Hardware and Equipment	Technology	Germany	6,135	0.7
66	–	Motor Oil	Oil Gas and Coal	Energy	Greece	6,069	0.7
67	114	Stabilus	Industrial Engineering	Industrials	Germany	6,052	0.6
68	81	VGP	Real Estate Investment and Services	Real Estate	Belgium	5,969	0.6
69	41	GVS	General Industrials	Industrials	Italy	5,956	0.6
70	98	Renewi	Waste and Disposal Services	Utilities	Netherlands	5,941	0.6
		70 Largest				**635,756**	**68.3%**
71	76	AMG Advanced Metallurgical	Industrial Engineering	Industrials	Netherlands	5,841	0.6
72	107	Stillfront	Leisure Goods	Consumer Discretionary	Sweden	5,828	0.6
73	–	Granges	Automobiles and Parts	Consumer Discretionary	Sweden	5,826	0.6
74	53	Sanoma	Media	Consumer Discretionary	Finland	5,801	0.6
75	48	Dometic	Leisure Goods	Consumer Discretionary	Sweden	5,715	0.6
76	65	Mithra Pharmaceuticals	Pharmaceuticals and Biotechnology	Health Care	Belgium	5,700	0.6
77	30	BHG	Retailers	Consumer Discretionary	Sweden	5,700	0.6
78	–	Amadeus Fire	Industrial Support Services	Industrials	Germany	5,635	0.6
79	63	Origin Enterprises	Food Producers	Consumer Staples	Ireland	5,632	0.6
80	–	HGears	Automobiles and Parts	Consumer Discretionary	Germany	5,628	0.6
		80 Largest				**693,062**	**74.3%**

Investment portfolio at 30 June 2021 (unaudited) (continued)

Ranking 2021	Ranking 2020	Company	Principal activities	Industry Groups	Geographical area	Valuation 2021 £'000	Percentage of portfolio
81	45	Academedia	Consumer Services	Consumer Discretionary	Sweden	5,618	0.6
82	–	SNP Schneider-Neureither	Software and Computer Services	Technology	Germany	5,535	0.6
83	38	Caverion	Industrial Support Services	Industrials	Finland	5,524	0.6
84	119	Dalata Hotel	Travel and Leisure	Consumer Discretionary	Ireland	5,499	0.6
85	33	Tikehau	Investment Banking and Brokerage Services	Financials	France	5,485	0.6
86	–	Verallia	General Industrials	Industrials	France	5,472	0.6
87	39	Vetropack	General Industrials	Industrials	Switzerland	5,466	0.6
88	15	Trigano	Leisure Goods	Consumer Discretionary	France	5,442	0.6
89	88	Arnoldo Mondadori Editore	Media	Consumer Discretionary	Italy	5,425	0.6
90	–	Froy	Industrial Transportation	Industrials	Norway	5,380	0.6
		90 Largest				**747,908**	**80.3%**
91	21	Anima	Investment Banking and Brokerage Services	Financials	Italy	5,267	0.6
92	–	Katek	Technology Hardware and Equipment	Technology	Germany	5,259	0.6
93	50	ASM International	Technology Hardware and Equipment	Technology	Netherlands	5,211	0.6
94	–	Delticom	Automobiles and Parts	Consumer Discretionary	Germany	5,196	0.6
95	–	Smartcraft	Software and Computer Services	Technology	Norway	5,181	0.6
96	49	NOS SGPS	Telecommunications Service Providers	Telecommunications	Portugal	5,132	0.5
97	–	Antares Vision	Open End and Miscellaneous Investment Vehicles	Financials	Italy	5,081	0.5
98	92	Metall Zug	Household Goods and Home Construction	Consumer Discretionary	Switzerland	5,050	0.5
99	47	Swissquote	Investment Banking and Brokerage Services	Financials	Switzerland	5,021	0.5
100	–	Schaltbau Holding	Industrial Transportation	Industrials	Germany	4,955	0.5
		100 Largest				**799,261**	**85.8%**
101	95	Indel	Electronic and Electrical Equipment	Industrials	Italy	4,948	0.5
102	79	Ned Apparaten	Electronic and Electrical Equipment	Industrials	Netherlands	4,907	0.5
103	–	SLM Solutions	Electronic and Electrical Equipment	Industrials	Germany	4,890	0.5
104	–	Zumtobel	Construction and Materials	Industrials	Austria	4,878	0.5
105	–	Greencore	Food Producers	Consumer Staples	Ireland	4,869	0.5
106	99	Arbonia	Construction and Materials	Industrials	Switzerland	4,858	0.5
107	71	Somfy	Electronic and Electrical Equipment	Industrials	France	4,830	0.5
108	84	Alma Media	Media	Consumer Discretionary	Finland	4,772	0.5
109	–	Resurs Holding	Finance and Credit Services	Financials	Sweden	4,767	0.5
110	61	Almirall	Pharmaceuticals and Biotechnology	Health Care	Spain	4,739	0.5
		110 Largest				**847,719**	**90.8%**
111	–	LPKF Laser & Electronics	Technology Hardware and Equipment	Technology	Germany	4,611	0.5
112	–	Fashionette	Retailers	Consumer Discretionary	Germany	4,604	0.5
113	–	Desenio	Retailers	Consumer Discretionary	Sweden	4,599	0.5
114	75	Cewe Shiftung	Consumer Services	Consumer Discretionary	Germany	4,536	0.5
115	37	Evotec	Pharmaceuticals and Biotechnology	Health Care	Germany	4,429	0.5
116	36	Boozt	Retailers	Consumer Discretionary	Sweden	4,365	0.5
117	–	Raysearch Laboratories	Medical Equipment and Services	Health Care	Sweden	4,349	0.5
118	94	Alzchem	Chemicals	Basic Materials	Germany	4,344	0.5
119	–	Elekta	Medical Equipment and Services	Health Care	Sweden	4,190	0.4
120	83	Immobel	Real Estate Investment and Services	Real Estate	Belgium	4,175	0.4
		120 Largest				**891,921**	**95.6%**

Investment portfolio at 30 June 2021 (unaudited) (continued)

Ranking 2021	Ranking 2020	Company	Principal activities	Industry Groups	Geographical area	Valuation 2021 £'000	Percentage of portfolio
121	–	Sam Health Group	Health Care Providers	Health Care	Norway	4,164	0.4
122	–	Apontis Pharma	Pharmaceuticals and Biotechnology	Health Care	Germany	4,055	0.4
123	100	Edag Engineering	Industrial Support Services	Industrials	Germany	4,013	0.4
124	91	JOST Werke	Automobiles and Parts	Consumer Discretionary	Germany	3,855	0.4
125	129	Concentric	Industrial Engineering	Industrials	Sweden	3,659	0.4
126	117	Schoeller-Bleckmann Oilfield	Oil Gas and Coal	Energy	Austria	3,588	0.4
127	120	Safilo	Personal Goods	Consumer Discretionary	Italy	3,449	0.4
128	66	Aker Biomarine	Food Producers	Consumer Staples	Norway	3,298	0.4
129	118	Promotora De Informaciones	Media	Consumer Discretionary	Spain	3,232	0.3
130	96	Groupe Gorge	Industrial Engineering	Industrials	France	2,358	0.3
		130 Largest				**927,592**	**99.4%**
131	124	Klingelnberg	Industrial Engineering	Industrials	Switzerland	2,253	0.2
132	–	Ascopiave	Gas Water and Multi-utilities	Utilities	Italy	1,960	0.2
133	122	Singulus Technologies	Industrial Engineering	Industrials	Germany	1,622	0.2
134	131	21 Centrale Partners III[1]	Close end Investments	Financials	France	72	0.0
		Total investments				**933,499**	**100.0%**

1 Unquoted investment

Alternative performance measures (unaudited)

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

Discount or premium

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

	NAV pence	Share price pence	Discount to NAV %
At 30 June 2021	1,677.70	1,485.00	11.5
At 30 June 2020	1,044.48	844.00	19.2

Gearing/(Net Cash)

Gearing represents the excess amount above shareholders' funds of total investments, expressed as a percentage of the shareholders' funds. If the amount calculated is negative, this is a 'net cash' position and no gearing.

		2021	2020
Investments held at fair value through profit or loss (page 50) (£'000)	(A)	933,499	573,086
Net assets (page 50) (£'000)	(B)	840,667	523,374
Gearing (C = (A / B) -1) (%)	(C)	11.0%	9.5%

Net asset value ('NAV') per ordinary share

The value of the Company's assets (i.e. investments (see note 9) and cash held (see Balance Sheet) less any liabilities (i.e. bank loans) 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 total equity in the Balance Sheet. The NAV per share is published daily and the year end NAV can be found on page 1 and further information is available on page 70 in note 19 within the notes to the financial statements.

Ongoing charges

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

	2021 £'000	2020 £'000
Management fees	4,130	2,911
Other operating expenses (note 4)	720	716
Less: non-recurring expenses	–	–
Ongoing charges	**4,850**	**3,627**
Average net assets[1]	**686,291**	**494,602**
Ongoing charges ratio	**0.71%**	**0.73%**

1 Calculated using the average daily net asset value

The ongoing costs provided in the Company's Key Investor Document ('KID') is calculated in line with the PRIIPs regulations. The ongoing costs in the KID includes finance costs and look through to costs incurred by other investment trusts and funds that the Company invests in.

Alternative performance measures (unaudited) (continued)

Total return

The total return on the share price or NAV takes into account both the rise and fall of NAVs/share prices and dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV total return). Dividends paid and payable are set out in note 8 on page 59.

	NAV per share	Share price
NAV/Share price per share at 30 June 2020 (pence)	1,044.48	844.00
NAV/Share price per share at 30 June 2021 (pence)	1,677.70	1,485.00
Change in the year (%)	60.6	75.9
Impact of dividends reinvested (%)	1.8	2.0
Total return for the year (%)	**63.5**	**79.5**

Dividend yield

The yield is the annual dividend expressed as a percentage of the year end share price.

		30 June 2021	30 June 2020
Annual dividend (pence)	(A)	25.00	22.00
Share price (pence)	(B)	1,485.00	844.00
Yield (C=A/B) (%)	(C)	1.7	2.6

Glossary

Alternative Investment Fund Managers Directive ('AIFMD')

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

Alternative Performance Measures

A glossary of alternative performance measures can be found on pages 77 and 78.

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 Euromoney Smaller European Companies ex UK Index on a total return basis in Sterling terms.

Custodian

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

Depositary

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

Derivative

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

Dividend dates

When declared or recommended, each dividend will have three key dates applied to it. The payment date is the date on which shareholders will receive their dividend, either by BACS transfer or by receipt of a dividend cheque. The record date applied to the dividend is used as a cut-off for the Company's registrars to know which shareholders should be paid a dividend. Only shareholders on the Register of Members at the close of business on the record date will receive the dividend. The ex-dividend date is the business day before the record date and is the date upon which the Company's net asset value 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 in the market for the share in question. Where the market in a particular share is described as liquid, that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid the difficulty of finding a buyer will tend to depress the price that might be negotiated for a sale.

Market capitalisation ('market cap')

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

General Shareholder Information

AIFMD Disclosures

In accordance with the Alternative Investment Fund Managers Directive, information in relation to the Company's leverage and remuneration of Henderson Investment Funds Limited, as the Company's Alternative Investment Fund Manager are required to be made available to investors. These disclosures, including those on the AIFM's remuneration policy, are contained in an AIFMD Disclosure document which can be found on the Company's website.

BACS

Dividends and interest can be paid to shareholders and stockholders 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 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

Tax legislation under The Organisation for Economic Co-operation and Development Common Reporting Standard for Automatic Exchange of Financial Account Information was introduced with effect from 1 January 2016. The legislation requires the Company to provide personal information to HMRC on certain investors who purchase shares in investment trusts. This information 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, audio tape or larger type as appropriate.

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

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

Foreign Account Tax Compliance ('FATCA')

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

General Data Protection Regulation ('GDPR')

GDPR came into force on 25 May 2019. 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 a stocks and shares ISA.

Non-Mainstream Pooled Investments Status

The Company currently conducts its affairs so that its ordinary shares of 2.5p each can be recommended by IFAs to ordinary retail investors in accordance with the FCA rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Packaged Retail and Insurance-based Investment Products Regulation ('PRIIPS')/ Key Information Document ('KID')

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

Share price information

The Company's NAV is published daily and the market price of the Company's shares can be found in the London Stock Exchange Daily Official List.

Shareholder Details

Shareholders who hold their shares in certificated form can check their shareholding with the registrar, Equiniti 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.

Service providers

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

Corporate Broker

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

Corporate Secretary

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

Registrar

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

Telephone: 0371 384 2472
(or +44 121 415 7047 if calling from overseas).
Lines are open 8.30 am to 5.30 pm, 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**.

Statutory Auditor

Ernst & Young LLP
25 Churchill Place
London E14 5EY

Financial calendar

Annual results announced	October 2021
Ex dividend date	21 October 2021
Dividend record date	22 October 2021
Annual General Meeting	29 November 2021
Dividend payment date	December 2021
Half year results announced	February 2022

Information sources

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

To receive regular insights on investment trusts from the Manager, visit:
https://www.janushenderson.com/en-gb/investor/subscriptions/

Investing

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

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

Nominee share code

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

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, 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'.

TR European Growth Trust PLC
Registered as an investment company in England and Wales
Registration Number 2520734
Registered office: 201 Bishopsgate, London EC2M 3AE

SEDOL/ISIN number: Ordinary Shares: 0906692/GB0009066928
London Stock Exchange (TIDM) Code: TRG
Global Intermediary Identification Number (GIIN): JX9KYH.99999.SL.826
Legal Entity Identifier (LEI): 213800N1B1HCQG2W4V90

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

www.treuropeangrowthtrust.com

MANAGED BY Janus Henderson INVESTORS

aic The Association of Investment Companies

PREMIUM MAIN MARKET LONDON STOCK EXCHANGE

aic Shareholder Communication Awards 2020 WINNER

aic Shareholder Communication Awards 2021 WINNER

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