Annual Report 2022

Henderson European Focus Trust plc

MANAGED BY
Janus Henderson
INVESTORS

Objective

The Company seeks to maximise total return (a combination of income and capital growth) from a portfolio of stocks listed in Europe.

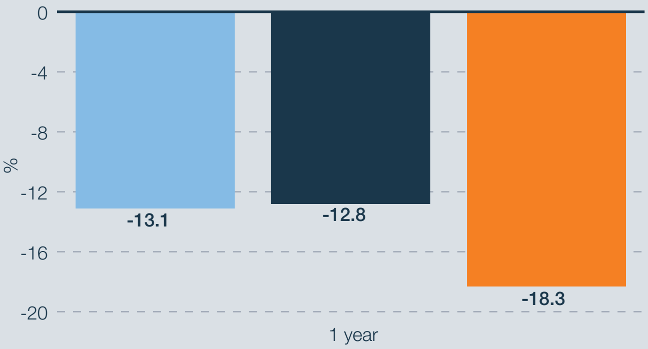
Front cover image: Louvre Museum, Paris, France

Strategic Report

Performance

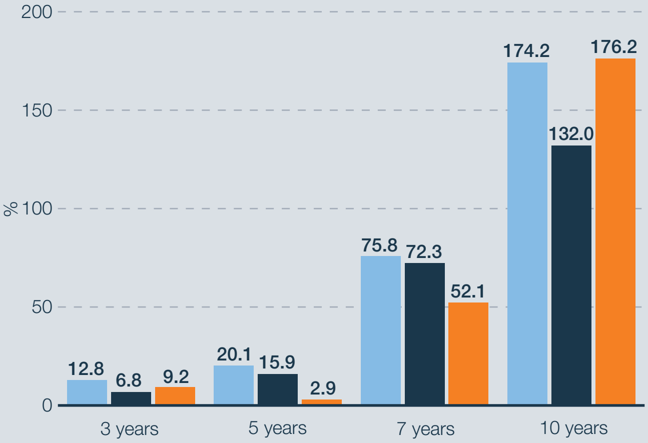
Year to 30 September

Total return performance over one year

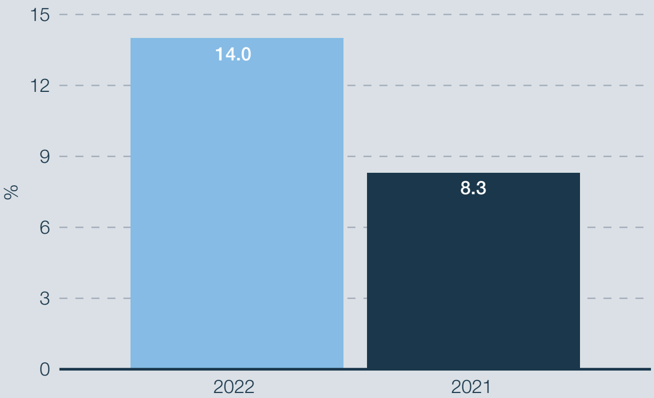


Total returns include dividends reinvested and exclude any costs of reinvestment

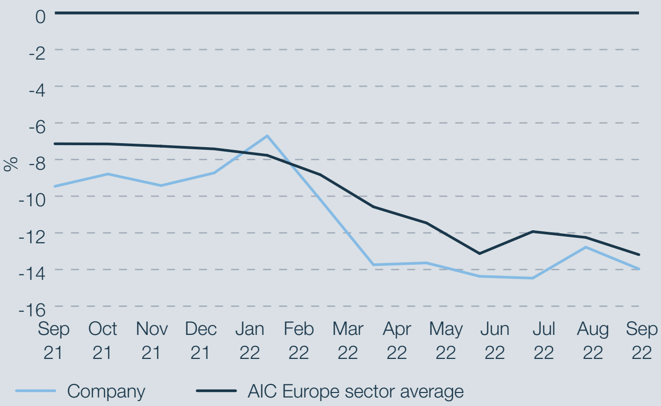
Total return performance over multiple years



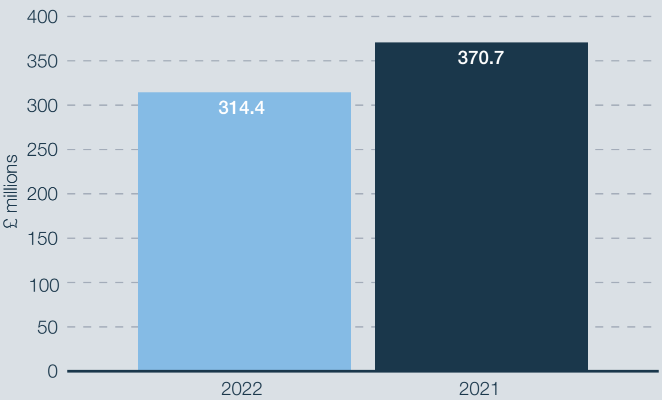
Discount at year end[1]



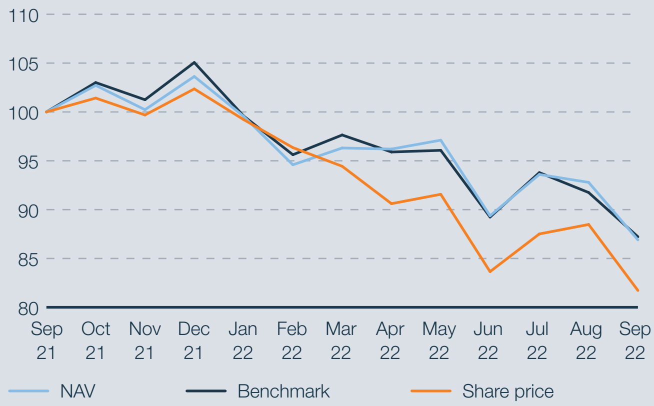
Discount over one year[2]



Net assets at year end



Performance versus the benchmark over one year[3]



1 Calculated using the mid-market closing price
2 Graph shows the Company's share price discount per ordinary share as at each month end compared to the AIC Europe sector average of seven companies over the year to 30 September 2022, including the Company
3 Graph shows the Company's NAV total return per ordinary share and share price total return compared to the total return of the benchmark (FTSE World Europe ex UK Index) over the year to 30 September 2022 (rebased to 100)

Sources: Morningstar Direct, Janus Henderson, Refinitiv Datastream

Performance

Year to 30 September

NAV per ordinary share at year end[1]

2022
147.7p

2021[2]
173.4p

Share price at year end

2022
127.0p

2021[2]
159.0p

Dividend for year[3]

2022
4.35p

2022 Special
0.50p

2021[2]
3.31p

Dividend yield[4]

2022
3.4%

2021
2.1%

Ongoing charge for year

2022
0.77%

2021
0.80%

Net gearing at year end

2022
1.9%

2021
3.1%

Average number of investments in the year

2022
45

2021
45

1 NAV is calculated with debt at par value
2 Comparative figures have been restated due to the subdivision of each ordinary share of 50p into 10 ordinary shares of 5p each on 7 February 2022
3 Comprising an interim dividend of 1.20p paid in June 2022, a recommended final dividend of 3.15p and special dividend of 0.50p due for payment on 6 February 2023
4 Based on the dividends paid or recommended for the year and the share price at the year end, being the interim of 1.20p and final dividend of 3.15p, and excluding the special dividend for the year of 0.50p

Sources: Morningstar Direct, Janus Henderson, Refinitiv Datastream

A glossary of terms and alternative performance measures is included on pages 76-78

Nestlé headquarters in Vevey, Switzerland

Chair's Statement

"These conditions favour our Fund Managers' high-conviction and valuation-driven approach to stock selection"

Chair of the Board, Vicky Hastings,
reporting on the year to 30 September 2022

Chair's Statement

War in Europe, an acute energy and cost of living crisis, and lingering Covid-related supply chain disruptions have conspired to stoke the fierce inflationary forces we see today, constituting some of the most difficult operating – and therefore investing – conditions in a generation. The European Central Bank, having sought to protect against the worst of the Covid crisis, has been slow to react with tighter monetary policy but is now doing so, with both higher interest rates and the end of quantitative easing. Unlike a year ago, there is no longer talk of whether inflation is transient or structural – markets are now trying to assess how long it will take to get inflation under control, the length and severity of ensuing recessions, how long it will take to get back to long-term 'core' targets, and indeed whether these are even still relevant.

In addition to the macro headwinds, rising bond yields have prompted a fundamental reappraisal of valuations hitherto favouring rapidly growing companies. The style rotation we have seen in the leadership of our markets in the last twelve months has been extreme: from 'growth' stocks in the latter part of 2021, to 'value' stocks in the first half of calendar 2022, through to those with a 'quality bias' now that recessionary fears are rising. Throughout this very tricky time, your Fund Managers have remained true to their investment principles and valuation consciousness. The Company's significant and well-timed exposure to cheap, highly cash-generative European oil companies at 15% of total assets is tangible evidence of these beliefs. Further, it offers a good example of how the Company practises a form of 'inclusive' ESG: one which appears to be gaining more traction in the wake of Russia's invasion of Ukraine and the vulnerabilities it exposed in Western society. You will find further detail on the Company's responsible investing philosophy on pages 18-20.

The Fund Managers' commentary explains their belief in cycles, be it the sector-level variety or the era of cheap financing, the latter of which appears to have finally, and rather aggressively, turned. In this environment, sizeable losses have been inflicted across almost all assets and asset classes, particularly those whose valuations soared – or in many cases defied gravity – courtesy of the 'free money' regime.

It will not come as a surprise that our results are down in this reporting period and that our shares have given back some of the excellent performance we reported last year. Whilst the headline NAV performance is broadly in line with the index, the much more disappointing fact to report is that our share price has fallen further as the discount at which the shares trade has widened out substantially, along with the average for our investment company sector as a whole.

Performance[1]

In the financial year to 30 September 2022, the Company's net asset value ("NAV") total return per share fell by 13.1% (2021: +22.6%), a very minor underperformance of the Company's benchmark index, the FTSE World Europe ex UK Index, which provided a total return of -12.8% (2021: +22.0%). The share price ended the period at 127p. Including the re-investment of the interim dividend, this gave a total return to shareholders of -18.3%, at the end of September 2022 (2021: +28.8%) as the discount at which the shares traded relative to NAV widened.

The Company's long-term track record remains strong, with its NAV outperforming the benchmark over three, five, seven and ten years. (Over a ten-year period, the share price total return from the Company has produced an annualised return of 10.7%.) Our results compare favourably with our competitors, be they in the investment trust or the Investment Association OEIC (open-ended funds) sector. The average NAV total return of the AIC Europe investment company sector (comprising seven companies) was -19.3% in the year under review, and the OEIC Europe ex-UK sector average (comprising 146 funds) was -16.0% for the same period.

The closing share price at 6 December 2022 was 149p, which is 17.3% higher than at the year end. This reflects both a recovery in the value of the underlying investments as well as a narrowing of the discount to 10.4% (from 14.0% year end).

Dividends

Income generation from the portfolio remains robust, largely as a result of the types of companies in which we invest. However this year dividend receipts have also been bolstered on translation by weak sterling, as well as a release of a tax provision no longer required, which we are including in a special dividend.

The Board is, therefore, pleased to recommend an increased final dividend for the year of 3.15p per share (2021: 2.35p) which, subject to shareholder approval at the Annual General Meeting ("AGM"), will be paid on 6 February 2023 to shareholders on the register at 6 January 2023. When added to the interim payment of 1.20p (2021: 0.96p) this brings the full-year dividend to 4.35p per share, a 31.4% increase from the 2021 full-year distribution of 3.31p per share. With the year-end share price at 127p, this represents a yield of 3.4% on the interim and final dividend.

The Board is also recommending a special dividend of 0.50p per share for the year, payable on 6 February 2023 to shareholders on the register at 6 January 2023, subject to approval at the AGM.

1 See the glossary and alternative performance measures set out on pages 76-78 for explanations of terms

Chair's Statement (continued)

Structural gearing

As mentioned in the half-year report, we took on structural debt at the start of this year with a placement of EUR 35 million of loan notes, in two tranches of 25 and 30 years duration. Using structural debt to enhance returns for shareholders is a key advantage of the investment trust structure. Locking in a weighted average interest rate of 1.57%, this financing provides extremely attractive long-term debt to be deployed for many years to come (we estimate that were we to try to raise similar funding today, we would be paying at least 3.5%). For the purpose of daily NAV calculations and performance reporting, the NAV is calculated including debt at par value. We have shown the impact on our NAV of estimating debt at fair value in note 15.4 on page 71 and will show this semi-annually.

At the time we took on the debt, it was the equivalent of 8.0% of our net asset value; at the year end it was 9.7%. In addition to our structural debt, we also have access to flexible borrowings, but gearing will never exceed the limits imposed in our investment policy of 20% of net assets. Whilst in the recent past our net gearing levels have been lower to reflect the extreme uncertainties and heightened volatility in markets, our Fund Managers are of the view that the investment opportunities available are meaningful and that we might expect the Company to have higher gearing in the coming year if and when these opportunities are taken. However, the flexibility of the gearing remains important, consistent with our Manager's approach in the past.

Share rating and subdivision

Along with other investment companies, we are experiencing wide fluctuations in the discounts at which our shares trade relative to NAV, starting the year at 8.3%, reaching a high of 16.8% and low of 5.7% and ending the year at 14.0%. This was a very similar story across the investment trust universe: the geopolitical and macro factors referred to earlier result in uncertainty and market volatility, undermining investor confidence and the pricing level at which shares trade.

During the year, the Company bought back 912,658 shares (2021: none) to be held in treasury, at an aggregate cost including expenses of £1,324,000, representing 0.4% of the issued capital of the Company at the start of the year. Whilst this small amount is only marginally enhancing to NAV, the buyback should act as a sign that your Board is willing to be active in the market whilst mindful not to shrink assets needlessly. In our view, share repurchase (and issuance) remain vital structural tools in the closed-ended sector, both in helping manage the supply and demand for shares and pricing, and as deployment of capital.

Since the year end, 145,000 further shares have been bought back leaving a total of 1.7% of the Company's shares in treasury.

At last year's AGM, shareholders approved the subdivision of each of our 50p ordinary shares into 10 ordinary shares of 5p each to assist the liquidity of the shares in the secondary market and to help saving schemes with dividend and share saving investment. The share split took effect on 7 February 2022 and prior year figures reported in the Annual Report have been adjusted for the share split. Whilst we believe the share split will, over the longer term, aid liquidity, we also hope that it will allow every shareholder with a dividend re-investment plan to participate more fully in the long-term growth of the Company.

Board changes

As reported in our half-year results announcement, we now have a Board of five members, with the recruitment of Marco Bianconi who joined on 1 June 2022. Mr Bianconi brings both a Continental European perspective, and direct and relevant investment experience, gained from within the investment industry and from a range of senior roles with public companies in Italy. Mr Bianconi, apart from introducing diversity of experience to the Board, also brings his experience as a chartered accountant.

Our Audit and Risk Committee Chair Eliza Dungworth has indicated that at some stage later during 2023 she will step down from the Board as she is now resident in Luxembourg. The Board has factored this into its succession planning.

Governance, shareholder engagement and Annual General Meeting ("AGM")

We are pleased to invite shareholders to attend the AGM in person at our registered office on Thursday, 26 January 2023 at 2.30 pm. This is an opportunity to meet the Fund Managers, Tom O'Hara and John Bennett, and the Board. For any shareholders unable to travel, we will also be welcoming you to join by conferencing software Zoom. As is our normal practice, there will be live voting for those physically present at the AGM. We are not able to offer live voting by Zoom, and we therefore encourage all shareholders, and particularly those who cannot attend physically, to submit their votes on the resolutions, all of which come with the Board's endorsement, ahead of the deadline of 24 January 2023, to ensure that their vote counts at the AGM.

If you have questions for either the Board or the Fund Management team in advance of the AGM – or at any time of the year – please get in touch (contact details can be found on page 80). You can use our website at **www.hendersoneuropeanfocus.com** which has regular updates, and subscribe for regular information using the sign-up function also on page 80. We are keen to have as much direct contact as we can from our investors, including those who hold their shares through platform nominees, and efforts will be made to reach out to our private investors in coming months.

Chair's Statement (continued)

Outlook

While there are many sources for concern for investors, our Fund Managers make a strong case for a European equity market that has to a large extent already priced in a 'normal' recession.

In the near term there could well be further tumult, not least as central banks test the resilience of the global financial system by reversing over a decade of loose monetary experimentation. But, on any longer-term horizon – for which the closed-end structure is designed – Europe now abounds with opportunities to invest in quality, cash-generative companies, which are able to pass through the scourge of inflation.

Most importantly, if as we think, the price of money does warrant a return to valuations based on realism rather than euphoria, then these investment opportunities come at attractive valuations. Such conditions are well suited to the valuation-conscious, bottom-up stock-picking philosophy of our Fund Managers.

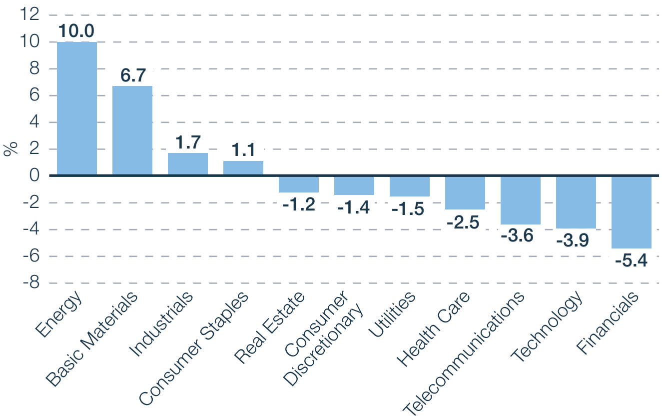
Vicky Hastings
Chair of the Board
7 December 2022

Portfolio Information

Sector exposure at 30 September

	2022 %	2021 %
Industrials	**18.4**	19.1
Energy	**14.7**	5.7
Health Care	**14.7**	12.2
Consumer Staples	**11.6**	11.7
Basic Materials	**11.5**	9.8
Consumer Discretionary	**11.1**	19.4
Financials	**10.9**	16.6
Technology	**4.4**	4.4
Utilities	**2.7**	1.1

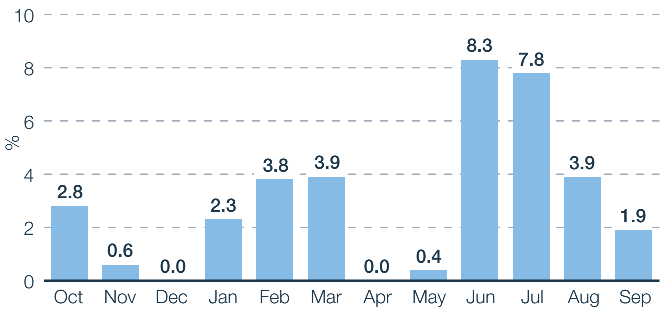
Sector overweights/underweights at 30 September 2022[1]



Currency exposure at 30 September

	2022 %	2021 %
Euro	**66.8**	70.0
Swiss franc	**11.9**	12.9
Sterling	**10.3**	–
Danish krone	**6.4**	5.7
Norwegian krone	**2.6**	3.0
Swedish krona	**2.0**	8.4

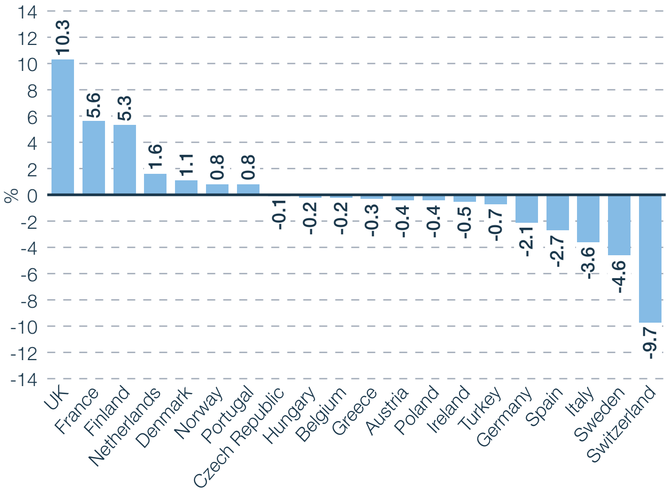
Net gearing levels in the year to 30 September 2022[2]



Geographic exposure at 30 September

	2022 %	2021 %
France	**27.8**	23.2
Germany	**13.7**	10.0
Switzerland	**11.8**	12.9
Netherlands	**10.5**	17.9
United Kingdom	**10.3**	–
Finland	**8.1**	11.4
Denmark	**6.5**	5.7
Norway	**2.6**	3.0
Spain	**2.2**	2.2
Sweden	**2.0**	8.4
Belgium	**1.9**	2.3
Portugal	**1.3**	1.1
Italy	**1.3**	1.9

Country overweights/underweights at 30 September 2022[1]



Key performance influences over the year to 30 September[3]

	2022 %	2021 %
Return of the portfolio of investments		
from sector allocation (ex cash)	**0.1**	**1.1**
from stock selection (ex cash)	**1.4**	**0.5**
from currency effect	**(1.2)**	**(0.3)**
Impact of gearing (net)	**0.1**	**0.1**
Impact of share buybacks	**0.1**	**–**
Impact of expenses	**(0.8)**	**(0.8)**
NAV return relative to the benchmark	**(0.3)**	**0.6**

1 Relative to the FTSE World Europe ex UK Index at 30 September 2022, and excluding cash
2 Net gearing at each month end. See definition in alternative performance measures on pages 77-78
3 Relative to the FTSE World Europe ex UK Index for the year

Sources: Janus Henderson and Factset

Fund Managers' Report

Shell: green hydrogen

> "Everything in life is cyclical"

Fund Managers

Tom O'Hara
Co-Fund Manager

Tom is a Portfolio Manager at Janus Henderson Investors, a position he has held since 2020. He is a portfolio manager on the Janus Henderson Continental European and Pan-European long-only strategies. Before joining Janus Henderson as a research analyst in 2018, Tom was an equity research analyst specialising in metals and mining with Exane BNP Paribas from 2016. He held similar mining and steel sector positions with Redburn, Citigroup Global Markets and Metal Bulletin Research between 2008 and 2016. He began his career in 2016 in the treasury department of Northern Rock plc.

John Bennett
Co-Fund Manager

John is Director of European Equities at Janus Henderson Investors and portfolio manager on the Janus Henderson Continental European and Pan-European long-only and long/short strategies. John has held these roles since 2011 when his previous company, Gartmore, was acquired by Henderson. Prior to Gartmore, he served as fund manager at Global Asset Management for 17 years. During this time, he managed their flagship European long-only and European equity long/short hedge funds. Before this, he was a fund manager at Ivory & Sime.

Fund Managers' Report

It is an often-humbling activity to review the prior year's report before sharing our latest thoughts with shareholders. Inevitably, certain assertions do not come to pass. The investment landscape does not always develop in the way one, cautiously, argues that it might. Often, it has been our futile lament of the growth style's dangerous dominance in equity investment; that is, the tendency over the last few years for all things technology, unprofitable and 'disruptive' to bulldoze through valuation levels that already made little sense to us. The market saw heroes where we saw literal zeroes. Other times it has been the bemusement at perfectly good companies bestowed with the hallowed 'bond-proxy' label, as the market sought a narrative to justify ever-higher multiples. That bemusement has not always been benign, not when it has ultimately forced our hand. Could a style-agnostic, pragmatic, valuation-conscious team of European stock-pickers really own no shares at all in benchmark titans like Nestlé and ASML, solely on the basis of valuation? That would be exactly the kind of dogmatic investment approach that we eschew. The pause for reflection then, before once again putting pen to paper, serves to remind us: never dig in.

Inflation is real

This time around we can claim some consistency between what we said last year and what we see today. Inflation has proven to be more durable, as we suspected it might, bringing with it a central bank retreat from the monetary largesse of the past decade. Accordingly, being valuation-conscious has served us well relative to a predominantly 'growthy' peer group. We believe this should continue to be the case. However, we could not have foreseen the contribution to inflation from Russia's invasion of Ukraine, nor the aggression with which central banks would then proceed to tighten financial conditions once they finally conceded and retired the 'transitory' trope. The global financial system has been forced to go 'cold turkey' in monetary rehab, by the very institutions that spent half a generation enabling our growing addiction to cheap money. This combination of factors – representing an unprecedented squeeze on household finances through higher energy, food and finance costs – has largely put paid to the 'consumer V-shape' thesis we detailed last year. People simply will not have the means to let loose in the way we all hoped we would after our long period of enforced confinement. Pandora, one of our case studies last year, is no longer held and indeed was a top ten detractor for us. Hugo Boss, on the other hand, retains its place in the Company courtesy of the strength of stock-specific idiosyncrasies.

Holcim cements its place

Conversely, our detractor case study last year, Holcim, was this year a top ten contributor. This is especially noteworthy in a market which has been all too eager to abandon cyclical exposure, more so that which comes with a European flavour. Indeed, we believe the more macro-sensitive areas of the European equity market are now priced with such pessimism that they represent tremendous value for the long-term investor. But more on that later. Strand 5 of our Investment DNA (detailed in the 2020 Annual Report) is 'give yourself time'. Holcim has duly begun to reward our patience thanks to a combination of: 1) first-class execution from a management team whose competence we spotted almost five years ago, and 2) what appears to be the de-emphasis of a form of simplistic, dogmatic ESG which cancels carbon emitters from equity portfolios simply on the basis that they emit. Such an approach has given scant regard to a carbon-intensive company's role in supporting an orderly energy transition, nor its economic, social and strategic importance to our Western way of life. Cement and associated building materials are going to continue to be very important in society, for a long time to come. Many companies, such as Holcim, are making significant strides in decarbonising their activities, which delivers a tangible positive for society. We think, or hope, that the penny may have finally dropped.

A responsible reckoning

Most worryingly of all perhaps, 'ESG by exclusion' appears to have neglected a primary duty of active management: portfolio construction. As our Chair notes in her report, the losses inflicted in both bond and equity markets have been severe and highly correlated, such has been the dependence of almost all asset valuations on the continuation of a historically loose and unconventional monetary policy regime. Many ESG-labelled funds have faced a similar performance fate because, in essence, they were 'growth' funds with a trendy label. We are not so sure investors were fully aware that such a rate-sensitive risk profile was inherent in their investments. There is also the issue of 'greenwashing' – given the regulator's interest in the activities of many of these funds that purport to be 'doing good', we expect this to change. 2022 is therefore likely to prove a pivotal year in the development of responsible investing. We welcome this. It does not feel excessive to suggest that the war has jolted us all out of this fallacy, whether it is the practitioners who are frantically re-writing their investment policies to allow ownership of oil companies on the basis that they are critical energy enablers (the market-leading share price performance of these stocks in 2022 is surely mere coincidence…), or those passively endorsing the movement because that was simply the way the industry was heading. Asset management is often a fashion industry; growth investing and ESG investing were the future. We take the view that they are now the past, at least in their current guise. Strand 4 of our Investment DNA is 'believe in cycles'. The cycle that enabled the investing fashions and the many excesses of the last decade – the price of money – has turned.

Fund Managers' Report (continued)

The era of energy insecurity

We believe there is another profound cycle underway, this one within the oil and gas industry. A lack of upstream investment in oil and gas extraction – for which ESG damnation of these businesses is partially responsible – has tightened the market. OPEC is firmly back in control and its leader, Saudi Arabia, appears committed to protecting a price of $90 per barrel. The European-listed oil companies we hold in size (14.7% of assets at the year end) – Shell, TotalEnergies, BP and the smaller Aker BP – are exceptionally cheap on 15-20% free cash-flow yields. This provides us with a significant valuation margin for error, all the more important when the price of money has increased. Of course, this is a sector with a reputation for profligacy. And deservedly so. You don't have to go back too far in history to find evidence of value-destructive behaviour through misallocations of capital. So, what has changed this time? Through our meetings with the management teams of each of our investee companies, there is a resounding consistency: unwavering capital discipline. Those prodigious free cash flows are largely being delivered directly to shareholders through dividends and buybacks. The risk of material windfall taxes is limited in our view, as these are globally diversified businesses across many tax jurisdictions. They have little appetite to grow upstream volumes when the stock market doesn't reward it and when government, media and various climate movements vilify them for doing so. Change is often borne of pain and here we see a strong parallel with the listed mining sector's transformation over the last six years: near-death experiences, equity raises and dividend cancellations were followed by a period of rapid deleveraging and generous returns to shareholders, a new-found capital discipline that persists even to this day. A cursory glance at the share price chart of any major mining company is sufficient to see just how lucrative that journey has been for shareholders since 2016. Likewise, from the dark days of negative oil prices in 2020 and widespread public condemnation, we believe a new, more disciplined listed oil sector emerges, one which incidentally nurtures globally significant renewable energy portfolios. It is interesting to note that since 2000 the oil sector peaked at almost 14% of the global equity market in 2008, then troughed at 2.5% in 2020. It is currently back to only 5%. As a result of both the monetary cycle and the oil sector cycle, we believe we are in the midst of a multi-year rehabilitation of oil majors within global equity portfolios.

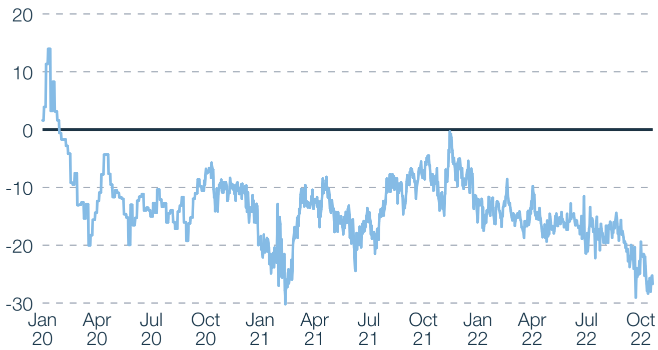
Performance

The NAV total return declined by 13.1%, 0.3 percentage points behind the benchmark index. The strong 3, 5, 7 and 10 year track record of outperformance remains firmly intact.

Our biggest 'winners' were Orron Energy (formerly Lundin Energy, with the oil and gas assets now trading as Aker BP, a case study in last year's report), which, along with our other large energy exposures in Shell, BP and TotalEnergies, drove a sector contribution of nearly 2%. ASR Nederland (insurance) and UPM-Kymmene (pulp, paper and increasingly biofuels) rounded out the top three with high double-digit basis point contributions, both due to strong execution from their management teams.

At the other end of the table our biggest detractor was Nokian Renkaat, an unfortunate casualty of Russia's abrupt economic isolation from the West as 80% of its tyre production capacity resided within the country. Spanish healthcare company Grifols and German chemical and pharmaceutical conglomerate, Bayer, round out the bottom three. We retain a smaller position in Grifols, while Bayer has since exited the portfolio.

Continental Europe forward price/earnings ratio relative to US



Source: Refinitiv Datastream, Janus Henderson, as at 31 October 2022

Outlook

There are more reasons than ever to dismiss Europe as a region worthy of equity investment. And dismissed it is. We have never known it to be more disliked than it is now, which is quite a feat. The constraints to doing business we have referenced since the onset of Covid are now even more acute due to Russian aggression next door. Consumers face a tougher set of disposable income choices than they have for decades, with the further possibility of winter blackouts leaving households without heat and power and our industrial complex compromised.

Added to this, we cannot rule out the potential for an accident in a financial system increasingly under stress due to: 1) the speed of retreat from the free money era, and 2) the multiples of debt now in existence compared to the last time interest rates reached these levels. The tantrum caused in UK gilts and sterling by the fiscal ill-discipline of the uniquely short-lived Truss premiership, may well just be a dress rehearsal for something bigger on other shores. It goes without saying that such an event would be bad news for most assets in the short term.

Fund Managers' Report (continued)

However, we do not build a portfolio based on tail risks or disaster scenarios. More broadly, we never build a portfolio that requires a specific macroeconomic outcome, hence the begrudging acceptance of 'bond-proxy' stocks within the Company during periods when the onslaught of monetary extravagance – and its upward pressure on valuations – felt too great to fully resist. We build a portfolio on what we regard as strong stocks, selected for their positioning and prospects.

And so, taking a dispassionate view of what is in front of us today, while acknowledging the many short-term tangible and tail risks, we can only conclude one thing: Europe is too cheap. Not all of it, of course, certainly not many of the darlings of the low interest rate paradigm, where investors appear to be in denial as to just how seismic the shift in the valuation regime really is. Muscle memory exerts strong influence in markets and we expect many investors to keep returning to the familiarity of what made them warm and cosy before. Eventually they will learn new behaviours. Where we see opportunity is in the sectors so brutally jettisoned that they already price in a 'normal' recession and worse in some cases: quality, cash-generative champions across energy, materials and industrials, with strong management teams and, most importantly, pricing power. This latter point is critical for us since we continue to believe inflation will settle at structurally higher rates than pre-Covid, driven by socio-political and geo-political factors; labour will command a bigger share of the economic pie as the Western world 'onshores' critical aspects of industrial supply chains, energy included.

As such, we have been adding, carefully, to the existing names within the portfolio which possess those attributes. These are companies whose idiosyncrasies we already endorse and therefore have greater conviction that the blanket approach to macro-sensitivity with which the market has punished them, is unwarranted. Arkema, Holcim and Atlas Copco are good examples.

Strand 3 of our Investment DNA is 'believe in change'. We believe we are seeing profound change: in inflation, in the price of money, in the energy complex and ultimately in asset valuation. Europe is not easy to love, but it is not broken. And it is now exceptionally cheap in pockets. The investment trust structure offers shareholders the perfect vehicle to look through the short-term tumult, to the medium-term value that is increasingly on offer. As your Fund Managers, it is our duty to be resolutely focused on that opportunity, regardless of how tempting it is to become intoxicated by the bleakness of current public discourse.

Tom O'Hara and John Bennett
Fund Managers
7 December 2022

Investment Portfolio as at 30 September 2022

Ranking 2022	Ranking 2021	Company	Sector	Country of listing	Valuation 2022 £'000	Percentage of portfolio
1	–	**Shell**	Oil, Gas and Coal	United Kingdom	17,768	5.55
2	7	**Novo-Nordisk**	Pharmaceuticals and Biotechnology	Denmark	15,183	4.74
3	2	**UPM-Kymmene**	Forestry and Paper	Finland	14,065	4.39
4	1	**Holcim**	Construction and Materials	Switzerland	14,046	4.38
5	4	**ASR Nederland**	Non-life Insurance	Netherlands	13,130	4.10
6	–	**TotalEnergies**	Oil, Gas and Coal	France	12,548	3.92
7	9	**Nestlé**	Food Producers	Switzerland	12,492	3.90
8	12	**LVMH Moët Hennessy Louis Vuitton**	Personal Goods	France	11,978	3.74
9	–	**BP**	Oil, Gas and Coal	United Kingdom	11,239	3.51
10	5	**Roche**	Pharmaceuticals and Biotechnology	Switzerland	9,872	3.08
		10 largest			**132,321**	**41.31**
11	15	Airbus	Aerospace and Defence	France	8,941	2.79
12	–	Ahold Delhaize	Personal Care, Drug and Grocery Stores	Netherlands	8,752	2.73
13	31	Sanofi	Pharmaceuticals and Biotechnology	France	7,928	2.48
14	33	Linde	Chemicals	Germany	7,691	2.40
15	16	Deutsche Boerse	Investment Banking and Brokerage Services	Germany	7,579	2.37
16	14	Danone	Food Producers	France	7,543	2.35
17	13	Essilor Luxottica	Medical Equipment and Services	France	7,102	2.22
18	34	Schneider Electric	Electronic and Electrical Equipment	France	6,978	2.18
19	–	Mercedes-Benz	Automobiles and Parts	Germany	6,942	2.17
20	30	Hugo Boss	Personal Goods	Germany	6,638	2.07
		20 largest			**208,415**	**65.07**
21	6	Nordea Bank	Banks	Finland	6,617	2.07
22	43	Atlas Copco	Industrial Engineering	Sweden	6,362	1.98
23	–	Solvay	Chemicals	Belgium	6,108	1.91
24	17	Saint-Gobain	Construction and Materials	France	5,992	1.87
25	38	L'Oréal	Personal Goods	France	5,870	1.83
26	–	Carlsberg	Beverages	Denmark	5,541	1.73
27	–	Aker BP	Oil, Gas and Coal	Norway	5,468	1.71
28	40	Metso	Industrial Engineering	Finland	5,373	1.68
29	37	Arkema	Chemicals	France	5,058	1.58
30	–	Safran	Aerospace and Defence	France	4,886	1.52
		30 largest			**265,690**	**82.95**
31	–	RWE	Gas, Water and Multi-utilities	Germany	4,633	1.45
32	–	BE Semiconductor	Technology Hardware and Equipment	Netherlands	4,532	1.42
33	–	Amadeus	Software and Computer Services	Spain	4,231	1.32
34	–	Universal Music	Media	France	4,202	1.31
35	39	EDP	Electricity	Portugal	4,131	1.29
36	–	Commerzbank	Banks	Germany	4,095	1.28
37	25	Interpump	Industrial Engineering	Italy	4,077	1.27
38	41	Siemens Healthineers	Medical Equipment and Services	Germany	3,983	1.24
39	–	Glencore	Industrial Metals and Mining	United Kingdom	3,969	1.24
40	–	ING	Banks	Netherlands	3,617	1.13
		40 largest			**307,160**	**95.90**
41	8	ASML	Technology Hardware and Equipment	Netherlands	3,573	1.12
42	–	Mowi	Food Producers	Norway	2,871	0.90
43	–	Grifols	Pharmaceuticals and Biotechnology	Spain	2,853	0.89
44	–	Kion	Industrial Engineering	Germany	2,226	0.69
45	–	STM Microelectronics	Technology Hardware and Equipment	Switzerland	1,606	0.50
		Total listed equity investments at fair value			**320,289**	**100.00**

Note: All securities are equity investments

Top Ten Holdings

1. Shell

Percentage of portfolio: 5.55%

Sector: Oil, Gas and Coal

Fund Managers' view: Shell is engaged in the business of producing, refining, storing, transporting, supplying and distributing petroleum and petroleum products. The company is engaged in various activities related to oil and natural gas, chemicals, power generation, renewable resources and other businesses in over 135 countries. We like Shell as one of the most cash flow-generative companies in its peer group given one of the lowest breakeven oil prices in its Upstream portfolio, as well as its leading role as a global LNG supplier. The company is showing continued oil and gas capital expenditure discipline whilst growing its portfolio of low-carbon assets.

2. Novo-Nordisk

Percentage of portfolio: 4.74%

Sector: Pharmaceuticals and Biotechnology

Fund Managers' view: A specialist pharmaceutical company focused on diabetes and obesity with a historical bias to insulin products. The focus has been shifting to the GLP-1 area, where Novo provides injectable and oral products that control blood sugar level, body weight and other health issues. Market structure (duopoly in GLP-1, high levels of demand growth) may drive sustainable return on investment capital, with obesity treatment also representing a compelling growth opportunity.

UPMBIOFORE BEYOND FOSSILS

3. UPM-Kymmene

Percentage of portfolio: 4.39%

Sector: Forestry and Paper

Fund Managers' view: UPM-Kymmene is a leading producer of wood-based products. It has an excellent management team with a strong record of value-creating capital allocation. With a balance sheet in net cash, UPM is in a phase of transformational organic growth in the areas of pulp, biofuel from wood, and replacing oil-based PET plastic with wood-based material. Together, these three investments should enable group earnings to grow by over 40% in 2023 compared to 2020, even without a cyclical recovery. Including all indirect effects, UPM is committed to reducing its carbon emissions by at least 65% by 2030. Based simply on its direct emissions, the company is already a carbon sink, given significant forestry assets.

4. Holcim

Percentage of portfolio: 4.38%

Sector: Construction and Materials

Fund Managers' view: Holcim is a world leader in the production of building materials. Formed by the merger of France's Lafarge with Holcim of Switzerland, here is a group which we had long considered an under-achieving behemoth. It is fair to say that we would not have been attracted to the company were it not for the arrival of the new CEO and CFO in September 2017 and January 2018 respectively. What we identify here is a classic case of root and branch reform, transforming a hitherto sprawling empire into a best-in-class global group focusing increasingly on downstream building materials, as opposed to upstream cement. This should drive ongoing improvements in cash flow return on invested capital. At first glance a 'dirty' business, Holcim is in the throes of demonstrating to investors and the wider community that it is a genuine champion of sustainability within the building materials industry. On its way to becoming a net-zero company, Holcim offers global solutions such as ECOPact, enabling carbon-neutral construction. Additionally, with its circular business model, the company is a global leader in repurposing waste as a source of energy and raw materials through products like Susteno, the world's most circular cement.

Top Ten Holdings (continued)

5. ASR Nederland

Percentage of portfolio: 4.10%

Sector: Non-life Insurance

Fund Managers' view: ASR Nederland is one of the largest insurers in the Netherlands. It offers a wide range of life and non-life insurance products, in addition to savings, pensions and investment products. ASR, via its asset management business, is an active investor in real estate across the Netherlands. We are attracted to the predictable, some might say boring, nature of their insurance business. The company only operates in the Netherlands allowing management to have a narrow focus on margins and growth without the distraction of markets in other countries.

6. TotalEnergies

Percentage of portfolio: 3.92%

Sector: Oil, Gas and Coal

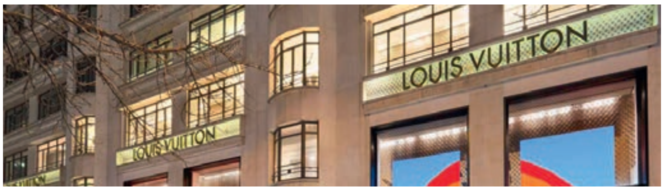
Fund Managers' view: Total explores for, produces, refines, transports and markets oil and natural gas. The company also operates a chemical division, along with gasoline filling stations in Europe and Africa. The company is investing in renewables and low carbon businesses to diversify its cash flow, and is targeting 35GW of renewables capacity by 2025 (one of the most aggressive targets in the broader renewables peer group).

7. Nestlé

Percentage of portfolio: 3.90%

Sector: Food Producers

Fund Managers' view: Nestlé is a packaged food company that manufactures and markets a wide range of food products. A truly unique asset in terms of scale and brand portfolio.



8. LVMH Moët Hennessy Louis Vuitton

Percentage of portfolio: 3.74%

Sector: Personal Goods

Fund Managers' view: LVMH is the world leader in luxury goods. Leather Goods & Fashion (Louis Vuitton in particular, but also Fendi and Loro Piana) and Wines & Spirits (Hennessy cognac, Moët & Chandon, Veuve Clicquot) are the group's most important divisions. LVMH continues to demonstrate superior execution on its largest brands, as well as its ability to turn around new assets brought into the group.

9. BP

Percentage of portfolio: 3.51%

Sector: Oil, Gas and Coal

Fund Managers' view: BP is one of the world's leading integrated energy companies with operations in over one hundred countries worldwide. The company's operations are focused on a wide range of activities, including exploration and production of oil and gas, refining and marketing, chemicals, gas and power and renewable energy. Similar to the other oil majors we own, BP is investing heavily in low-carbon projects to change their revenue mix.

10. Roche

Percentage of portfolio: 3.08%

Sector: Pharmaceuticals and Biotechnology

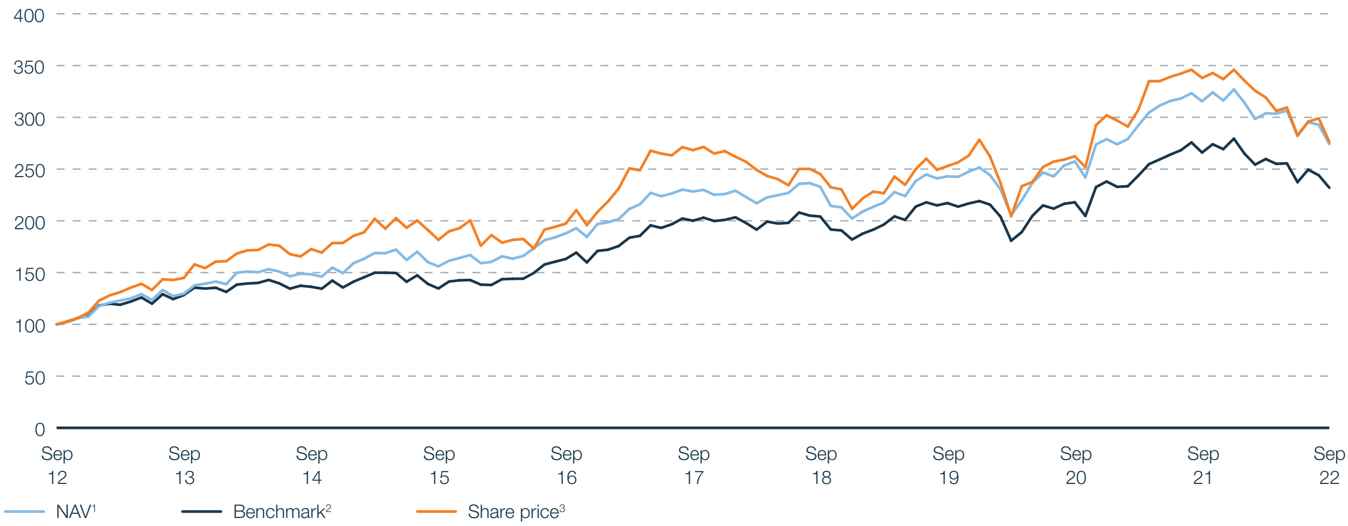
Fund Managers' view: A long-term portfolio holding, global pharmaceutical leader Roche is at the forefront of oncology research and treatment. Now the world's leading biotechnology company, with over 17 biopharmaceuticals on the market, Roche offers world-leading cancer treatments. Perhaps less well known is its leadership in in-vitro diagnostics, which influences over 60% of clinical decision-making, while accounting for only 2% of total healthcare spending. We consider Roche's diagnostics expertise as vital in a world where patient-specific, targeted treatments are experiencing strong growth. In addition, the company's long track record of science-based success bodes well in newer therapeutic fields such as neuroscience and immunotherapy.

Historical Information

Total return performance to 30 September 2022

	1 year %	3 years %	5 years %	7 years %	10 years %
Company NAV[1]	-13.1	12.8	20.1	75.8	174.2
Benchmark[2]	-12.8	6.8	15.9	72.3	132.0
Company share price[3]	-18.3	9.2	2.9	52.1	176.2
AIC Europe sector NAV[4]	-19.3	8.7	20.1	75.1	154.4
IA OEIC Europe ex-UK sector average[5]	-16.0	6.1	10.5	60.6	119.4

Total return performance over the 10 years to 30 September 2022 (rebased to 100)



Financial information

At 30 September	Net assets £'000	NAV* p	Mid-market price per ordinary share* p	(Loss)/profit for year £'000	Revenue return per share* p	Capital return per share* p	Total return per share* p	Dividend* p	Expenses[6] %
2013	145,762	86.1	83.15	33,546	2.54	17.29	19.83	2.13	1.10
2014	170,988	95.7	96.20	21,010	2.21	9.84	12.05	2.35	0.88
2015	194,914	98.2	98.78	7,459	2.36	1.64	3.99	2.47	0.89
2016	237,551	115.3	104.55	40,186	2.69	16.91	19.59	2.64	0.90
2017	292,398	137.1	138.90	50,559	3.38	20.96	24.34	2.95[7]	0.87
2018	293,790	136.7	124.00	5,822	3.16	(0.45)	2.71	3.10	0.84
2019	299,010	139.1	124.50	11,906	2.68	2.86	5.54	3.13	0.84
2020	308,166	144.1	126.00	17,330	2.41	5.65	8.07	3.13	0.82
2021	370,736	173.4	159.00	69,182	3.31	29.05	32.36	3.31	0.80
2022	**314,419**	**147.7**	**127.00**	**(47,428)**	**5.11**	**(27.32)**	**(22.21)**	**4.35[8]**	**0.77**

1 NAV per ordinary share with dividends reinvested and excluding reinvestment costs
2 FTSE World Europe ex UK Index in sterling terms
3 Share price using mid-market closing prices
4 Simple average NAV for the AIC Europe sector which currently comprises seven investment trusts
5 Investment Association Europe ex UK sector for open-ended investment companies ("OEICs"), which comprised 146 funds during the year
6 Using the ongoing charge methodology prescribed by the Association of Investment Companies
7 Excludes the special dividend of 1.40p per ordinary share paid in respect of the year ended 30 September 2017
8 Excludes the special dividend of 0.50p per ordinary share recommended for payment in respect of the year ended 30 September 2022

*Comparative figures for the years to 2021 have been restated due to the subdivision of each ordinary share of 50p into ten ordinary shares of 5p each on 7 February 2022

Sources: Janus Henderson, Morningstar Direct, Refinitiv Datastream

Business Model

Purpose and values

The Company's purpose is to provide shareholders with long-term growth through investing in a portfolio of stocks listed in Europe and to make this form of investment widely accessible to investors large and small. We do this by following a disciplined process of investment and by controlling costs and using borrowings to enhance returns.

The Board follows high standards of governance, with a culture based on openness, mutual respect, integrity, constructive challenge and trust, as described further on page 28. The Board seeks always to act in the best interests of shareholders, making the most effective use possible of the diversity of skills and experience of its members. This culture of openness and constructive challenge extends to the Board's interaction with the Manager, being the Company's most important service provider. The Board expects the Manager and all other service providers to hold values which align with the high standards promoted by the Board.

Strategy

The Company fulfills its purpose by doing business as an investment trust, and maintains a premium listing on the London Stock Exchange. Investment trusts are collective investment vehicles constituted as closed-ended public limited companies. The Company is governed by a board of independent non-executive directors and the management of the Company's investments is delegated to the Manager. The Company's day-to-day functions, including administrative, financial and share registration services, are carried out by duly appointed third-party service providers.

The framework of delegation provides the Company with a cost-effective mechanism for delivering operations whilst allowing the Company to benefit from the capital gains treatment afforded to investment trusts, which are approved under section 1158/59 of the Corporation Tax Act 2010 (as amended). The closed-ended nature of the Company permits the Fund Managers to hold a longer-term view on investments and remain fully invested while taking advantage of any illiquidity in normal and volatile market conditions, as redemptions do not arise in the way they would for an open-ended vehicle. The Company is subject to the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules of the Financial Conduct Authority ("FCA").

Investment objective

The Company seeks to maximise total return (a combination of income and capital growth) from a portfolio of stocks listed in Europe.

Investment policy

Asset allocation

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

Stock selection is not constrained by the benchmark and the stock weighting in the portfolio may be materially higher or lower than the weighting of any index used for performance comparisons, including in respect of geographical allocation. Actual weightings of stocks held in the Company's portfolio are based upon the Manager's views of total return prospects. The portfolio is not constructed with a yield target.

Diversification

The portfolio contains between 35 to 45 stocks with a maximum single stock weighting of 10% of net asset value ("NAV") of the portfolio at the time of investment. Stocks weighted at 5% of the portfolio or more are not expected to exceed 50% of NAV in aggregate. The typical minimum stock weight is 1% of NAV.

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

Derivatives

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

Gearing

The Company can borrow with the aim of achieving a return that is greater than the cost of the borrowing. The Company can borrow up to 20% of net assets at the time the borrowing is assumed.

Investment strategy

Stock selection

The Fund Managers use rigorous research to identify high quality, attractively valued companies with strong balance sheet and cash flow potential. Free cash flow yields are an important valuation metric, rather than price/earnings ratios. The benchmark is the FTSE World Europe ex UK Index in sterling terms.

The Company does not invest more than 15% of its total assets in other listed closed-ended investment funds. Accordingly, the Company's shares are an eligible investment under LR 15.2.5 (R) for other listed closed-ended investment funds.

Business Model (continued)

Company engagement

The Janus Henderson European Equities team's experience in the European market has created a deep knowledge base. Management analysis is further supplemented by a body of increasingly sophisticated data related to environmental, social and governance ("ESG") factors, broker research and company meetings. The European Equities team works closely with the in-house Governance and Responsible Investment team to screen portfolios for ESG issues and to identify broader themes for discussion in making and holding investments.

The Fund Managers believe that if they were to invest in companies they judged to be systemically low scoring or failing businesses from an ESG perspective, this would detract from investment performance as well. They consider there to be a clear link between good corporate governance – in each of the E, S and G – and the cost of capital applied by global investors.

Their approach is built upon fundamental stock picking blended with sector themes. This allows them to isolate investment decisions from market noise; however, the resulting approach can be contrarian, and can lead to investing in change. ESG factors can play a role in identifying these trends in corporate change and sector development.

It is during the in-depth research stage of the investment process where the Fund Managers will make an assessment on ESG considerations for each stock or sector. Their analysis tends to focus on the rate of change rather than existing scores. They want to gain a good understanding of what procedures and initiatives the company is putting in place to improve their ESG practices. This research is often far ranging, including topics such as board composition and staff remuneration as well as carbon targets and green financing.

Whilst headline ratings from external providers can be a useful starting point, the Fund Managers caution investors from giving them too much significance. They are often backward looking and external providers face huge difficulties in aligning subjective topics contained within the ESG arena with a scoring system used to compare stocks. This has resulted in a high level of dispersion in ratings depending on the agency.

One area where rating agencies appear to be in agreement is mega-cap technology companies, which tend to score well, yet even here we find cause for debate. Compared to their size, mega-cap technology generally has a disproportionately small work force and the market disruption on which their business models are built has wider implications on the employment market both in terms of overall employment but also wage inflation. The asset-light nature of technology business models means that they score well from an environmental perspective, but it could be argued that the 'E' is in conflict with the 'S'. These are just a few of the reasons why the Fund Managers choose to focus on the delta as well as the absolute when it comes to ESG integration in stock selection. Further information on the Company's ESG approach is available at **www.hendersoneuropeanfocus.com**.

ESG integration in practice

Case Study: European aviation

A long-haul journey to zero-carbon: Airbus and Safran

In a world that is transitioning to net zero carbon, we have taken a look at a number of high-carbon industries – including steel, pulp and paper, cement and chemicals – to discuss their place in a low carbon future.

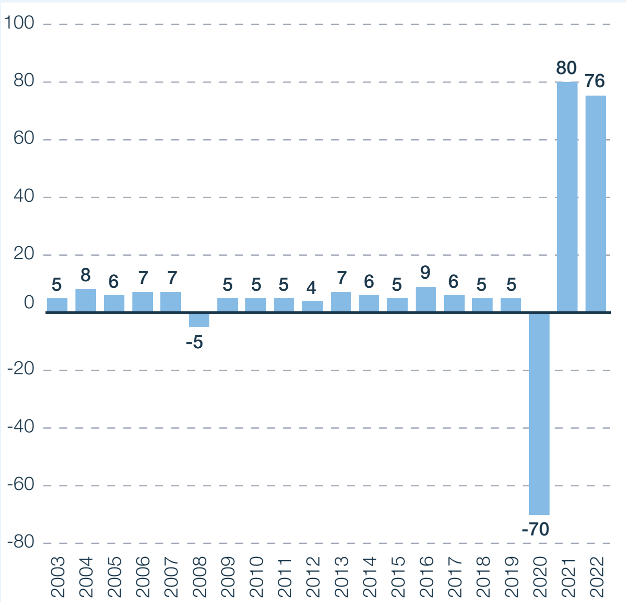
In this case study we consider the aviation industry which is becoming increasingly more high profile in the carbon debate, not necessarily due to its overall level of greenhouse gas ("GHG") emissions (which are above average but not the worst) but due its discretionary nature. Society needs cement to build schools, steel for new hospitals, paper to replace plastics in food packing and chemicals in countless industrial processes. But in time will air travel be viewed as essential? The newly elected co-leader of the UK Green party proudly states she has not flown since 2009 and flight restrictions due to Covid have certainly seen a growing appreciation of the staycation. We are also witnessing business travel more heavily scrutinised than ever before – corporates are keen to improve their own sustainability profile and the enforced virtualisation of the meeting room has made many long-distance trips less worthwhile. Indeed, the 'work trip' to the most sun-bathed office in the height of the British winter might not only raise a tut from colleagues for its frivolity but now also for its effect on the environment. Looking at Janus Henderson specifically, a certified CarbonNeutral® group since 2007, we have seen business-related air travel fall by 92% since pre-Covid levels (2021 versus 2019), and while not all restrictions have been lifted, it seems likely to stay well below 2019 levels.

More broadly our sense is that air traffic growth will remain robust – visiting family, exploring the world and pitching face to face are hard to substitute or forgo. The Danish prime minister, Mette Frederiksen, stated "to travel is to live and therefore we fly," when announcing in January 2022 the ambitious new target of making domestic flights fossil fuel free by 2030. What seems more likely is that within that demand there will be a growing share of environmentally conscious consumers seeking the best compromise, as well as growing government initiatives to encourage green tech adoption (EU's Emissions Trading Scheme, UN-led CORSIA scheme and ending tax exemptions on Kerosene). We have recently seen flight search websites, including Google Flights, Skyscanner and Kayak, showing the Carbon Emissions Per Flight and how they vary between airlines. For this reason, it is increasingly more important for airlines to consider carbon emissions in their strategic thinking.

Prior to the Covid-19 pandemic, the aviation industry contributed to around 2% of global CO_2 emissions. If emissions growth continues at the prior rate, aviation carbon emissions would triple by 2050.

Business Model (continued)

Figure 1: Air traffic growth year-on-year % change, as measured by `Revenue passenger kilometres' (the number of kilometres travelled by revenue-paying passengers)



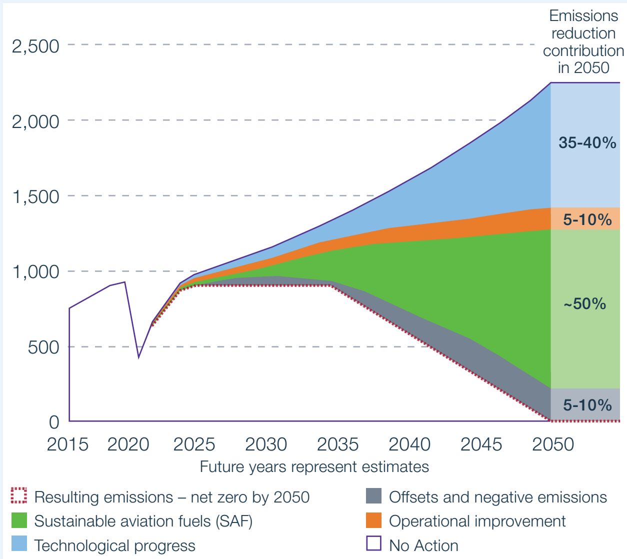
Source: IATA, Janus Henderson, as at 30 June 2022

So how best can the industry move forward to avoid this outcome?

The International Air Transport Association ("IATA") has signed a resolution to achieve net-zero carbon emissions by 2050, with a plan that will abate a total of 21.2 gigatons of carbon between now and 2050. For airlines, (owners/lessors of aircraft creating the emissions) the most effective way of reducing total emissions is through investing in more efficient aircraft and new technology provided by the aerospace supply chain. This supply chain is made up of airframers (e.g. Airbus, Boeing) and a vast global network of suppliers (e.g. Safran, MTU, Rolls-Royce, GKN and Meggitt in Europe). Developing products that offer superior environmental performance versus competitors will become a significant advantage for suppliers in the marketplace and will ultimately impact financial performance.

Today, the aerospace industry is concentrating its focus on engine technology and sustainable fuels as a primary way to cut emissions and enable customers to reduce their overall climate impact. Safran, a global manufacturer of aircraft engines, estimates that it will be active in addressing nearly 90% of total CO_2 reduction targets to reach net-zero commercial aviation by 2050 (see figure 2). 35-40% of this will be achieved through next-generation engine and aircraft (technological progress), 50% through the adoption of Sustainable Aviation Fuels ("SAF"), 5-10% through operational efficiencies (improvement) and 5-10% through offsets and negative emissions.

Figure 2: GHG emissions from commercial aviation (Metric tons of carbon dioxide equivalent)



Source: Safran, as at December 2021

Short term – Aircraft engines

In the short term, the replacement of today's fleet with more advanced aerodynamics, materials technology and modern 'neo' (New Engine Option) aircraft will provide the most immediate carbon savings. This technology is available from manufacturers today and will help offset growth in emissions. A new A320 neo for example, delivers 20% fuel savings and CO_2 reduction compared to the previous-generation aircraft, reducing CO_2 emissions by around 900 tonnes per aircraft per annum. However, these existing technologies alone are not enough to drive a decline in the industry's emissions (especially if air traffic growth remains positive).

Medium term – Sustainable Aviation Fuels

SAFs are a substitute for kerosene that is produced from sustainable feedstock (used cooking oils, animal fats, crop residues amongst others). They are referred to as 'drop-in' fuels as they can be safely blended with existing fossil fuels. SAFs are considered net zero, not zero carbon, but they offer major life-cycle carbon reduction (up to 90%). Engine manufacturers, such as Safran, Rolls-Royce and MTU in Europe, already use certified SAF blends in existing engines, and are developing technology to enable 100% SAF certification (airlines are restricted to a 50% mix currently by law until safety is fully assessed).

The primary challenge with SAFs is production capacity, with less than 1% of annual aviation fuel provided by SAFs. Scale is limited by the availability of feedstocks, the cost (currently three to eight times more than kerosene) and the complex and expensive plant infrastructure needed to produce it. Currently, Finnish-based Neste is the leader in the renewable fuels market, accounting for c.40% of total

Business Model (continued)

global renewable fuels production capacity. In addition, Shell is set to produce in excess of 800,000 tonnes of renewable fuels at a new Rotterdam facility due to go on stream in 2024. The ability of producers to keep pace with demand (in a cost-effective manner) will be a crucial element in the carbon trajectory of the industry, especially as it is widely accepted that SAFs, which require huge capital outlay, are only a transition fuel. The European Commission has sought to encourage adoption with the 'Fit For 55' programme proposing a SAF mandatory mix for airlines of 2% by 2025, 5% by 2030, and 63% by 2050.

Long term – Hydrogen, full electric and other novel technologies

Longer term, aircraft manufacturers are developing technologies such as hydrogen/all-electric propulsion and blended wing bodies to achieve a net zero industry. The technology here still faces notable hurdles: hydrogen provides more energy by mass than kerosene fuel, but it delivers less energy by volume. This means that planes will need a total redesign to include huge fuel tanks, let alone a totally new fuelling infrastructure at airports. Full electric, whilst widely accepted as the route forward for cars, struggles to provide the level of thrust needed for planes without having a battery so heavy it can't get off the ground. Airbus aims to develop the world's first zero-emission commercial aircraft by 2035 but we expect it to be much later in the decade before this is adopted more broadly for large passenger planes.

Conclusion

If air traffic volumes remain robust, airlines will likely provide select opportunities for the diligent stock picker (they have rarely been a good investment more broadly across a market cycle) with those focused on short-haul travel (leisure) and fleet upgrades expected to be the best positioned. Aircraft manufacturers and their supply chain will be pivotal in the move to net zero with those leading in the new technologies likely creating the most value for shareholders. However, the market consensus can change regularly on this topic with lead times often taking longer than first forecast, once again highlighting the need for constant fundamental reassessment. Possibly the most important conclusion, like so many industries involved in decarbonisation, is that it will come with meaningful inflation for consumers, supporting the argument that the next cycle will be more inflationary than the last.

Airbus.com, Blended wing hydrogen concept design, as at December 2021

Source: Janus Henderson

Note: References made to individual securities should not constitute or form part of any offer or solicitation to issue, sell, subscribe or purchase, and neither should they be assumed profitable. The above are the Fund Managers' views and should not be construed as advice and may not reflect other opinions in the organisation

Management

The Company qualifies as an 'alternative investment fund' in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). The Board has appointed Janus Henderson Fund Management UK Limited* ("JHFM") to act as its alternative investment fund manager ("AIFM"). JHFM delegates investment management services to Janus Henderson Investors UK Limited* in accordance with an agreement effective from 22 July 2014. The management agreement with JHFM is reviewed annually and can be terminated on six months' notice. Both entities are authorised and regulated by the 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 Fund Management team is led by Tom O'Hara and John Bennett. The Fund Managers' combined holding in the Company at the year end comprised 4,071,565 shares.

Ongoing charge and fees

The management agreement provides for the payment of a composite management fee. The fee is charged at 0.65% per annum of net assets up to £300 million, and 0.55% of net assets above £300 million. Any holdings in funds managed by Janus Henderson, of which there were none in the year, are excluded from the calculation of the management fee. There is no performance fee.

The Board believes that the Company's ongoing charge in the year was reasonable at 0.77% (2021: 0.80%), as detailed on pages 3 and 78. As a key performance indicator, the ongoing charge is a measure of cost and competitiveness. The Board scrutinises all costs borne by the Company, and compares the ongoing charge ratio to that of its peers in the AIC Europe sector.

Borrowings

The Company has borrowings of EUR 35 million through privately placed loan notes as well as access to a multi-currency overdraft facility with HSBC Bank plc which allows borrowings up to the lesser of £30 million and 10% of custody assets. At the year end, no borrowings were drawn under the HSBC overdraft facility (2021: £10.6 million). The Company may use leverage to increase returns for shareholders, which provides a significant advantage over other investment fund structures. The Board has delegated responsibility to the Fund Managers for deciding on the currency mix of the borrowings.

* Henderson Investment Funds Limited and Henderson Global Investors Limited changed their names in March 2022 to Janus Henderson Fund Management UK Limited and Janus Henderson Investors UK Limited respectively

Business Model (continued)

Measuring performance

To measure the success of the Company in meeting its objective and to evaluate the performance of the Manager, the directors consider the following key performance indicators ("KPIs"). The charts, tables and data on pages 2, 3, 8 and 16 show how the Company has performed against these KPIs, and a glossary of terms and alternative performance measures is on pages 76-78.

Performance measurement	Whilst the portfolio is not constrained by the benchmark, the Board measures performance of NAV total return and share price total return against the FTSE World Europe ex UK Index (in sterling) as benchmark terms and against both the AIC and Investment Association OEIC Europe sectors as its peer groups. The portfolio is not constructed with a yield target.
Discount or premium of share price to NAV per share	This is the level of discount or premium at which the ordinary shares trade relative to the NAV per share. The Board has a pragmatic approach to both allotting shares and to share buybacks and keeps its policy under review. The Board's objective is to support an orderly market in the Company's shares in a manner that is beneficial to the long-term interests of shareholders.
Ongoing charge	The costs of running the Company calculated using the AIC ongoing charge methodology, including fees payable to the Manager.

Managing our risks

The Board, with the assistance of the Manager, has carried out a robust assessment of the principal risks facing the Company, including those which would threaten its business model, future performance, solvency, liquidity in its shares and reputation. The assessment includes consideration of economic and political risks, most of which are outside the Board's direct control. The Board has drawn up a detailed matrix of risks facing the Company, together with a strategic heat map charting the top ten risks, which it has distilled into six categories of principal risks, as shown on pages 22-23. To assist in mitigating the decision-taking risks as far as practicable, it has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, which it reviews at each board meeting.

The Board considers closely changes to the risk profile of the Company, arising from both internal and external triggers, and examines emerging risks as part of its regular review of the Company's risk profile, including the assumption of structural debt in the last year. The Board defines emerging risks as potential trends, sudden events or changing risks which are characterised by a high degree of uncertainty in terms of occurrence probability and possible effects on the Company. Once the emerging risks become sufficiently clear, they may be treated as specific risks and enter the Company's matrix of risks.

The Board receives regular and detailed reporting on specific and emerging risks from the Manager and other service providers. In addition, the Board receives reports on specialist topics from professional advisers, including lawyers and tax agents. These reports, as well as the directors' own experience, enable effective monitoring of the risk landscape and changes to it. The Board encourages a culture of anticipating and scanning for direct and indirect market events and constructive challenge to identify and manage risk, where it can, including external risks which need a rapid response. The Board does not consider the principal risks to have changed during the course of the reporting period and up to the date of this report, although the impact of certain external risks, such as interest rates and inflation, have heightened.

Throughout the year the Board has considered the impact of macroeconomic events on the Company, notably Covid-19 and the broader ramifications of the Russian invasion of Ukraine. The Board has concluded that the portfolio, investment approach and operational requirements of the Company have, to date, proven resilient and the investment approach remains unchanged. The Board has also considered emerging risks, with specific reference to inflation, supply pressures and interest rate rises, as referred to in the Chair's Statement.

Business Model (continued)

Principal risks

The Company's principal risks and mitigating steps are as follows:

Risk	Controls and mitigation
Market The Company's absolute performance in terms of net asset value total return and share price total return is dependent on the performance of the companies and markets in which it invests and is also impacted by currency and interest rate movements, as well as by political and economic events.	Investment risk is spread by holding a diversified portfolio of companies, typically with strong balance sheets and good growth prospects. The Company does not currently embark on any currency or market movement hedging strategies, though it has the ability to do so. The Company's investment strategy is reviewed formally by the Board at least annually, and takes into account shareholder views, developments in the marketplace and how the structure of the Company is positioned to meet them.
Investment performance The relative performance of the Company against its benchmark and European open and closed-ended peers depends principally on asset allocation and stock selection, which, in turn, require investment skills. In exercising these skills, the Manager is responsible for adhering to the investment policy and investment guideline restrictions set by the Board and amended from time to time.	The Board is responsible for ensuring that the investment policy is met. The day-to-day management of the Company's assets is delegated to the Manager under investment guidelines, with close monitoring of the guidelines. The Board meets the Manager on a regular basis and keeps investment performance, in terms of both capital and income returns, under close review, and the Management Engagement Committee reviews the Manager's performance annually. Although the Company is not invested against any income criteria, the net income of the Company and the revenue reserves are monitored against dividend pay-outs and anticipated future net income. Investment performance is monitored over the short, medium and longer term against the Company's benchmark and against a wider peer group of open and closed-ended investment vehicles investing in listed European equities. The Board also reviews the performance attribution analysis against benchmark in detail, to understand the main drivers of performance in reporting periods. The Fund Managers keep the global political and economic picture under review as part of the investment process and provide the Board with frequent updates to enable the directors to monitor and manage risks of geopolitical disruption, such as those arising from the Ukraine conflict and increasing energy costs. Climate risk is assessed within the individual stock selection process and is reported further within quarterly Fund Manager board reports.
Business strategy and market rating A number of factors, including the setting of an appropriate investment proposition, changing investor demand or investment performance may lead to an increase or decrease in demand for and/or supply of the Company's shares and will impact how the shares are priced in relation to the Company's underlying net asset value per share.	The Board monitors the Company's ordinary share price relative to net asset value per share and reviews changes in shareholdings in the Company to understand short or longer-term trends in demand for and supply of the shares. The Company is able, when appropriate, to issue or to buy back shares in order to help maintain an orderly secondary market in the Company's shares, but not against any prescribed discount or premium levels, other than avoiding dilution to existing shareholders' interests through share issuance at a discount. The Board also monitors the rating of the Company's shares against other closed-ended investment companies in the sector and continues to deploy tools at its disposal in shareholders' best interests. The Company is 'evergreen' and does not have a liquidity event, such as periodic tenders or continuation votes. The liquidity of the portfolio is monitored and is considered sufficient for the purposes of a closed-ended fund, including instances whereby the Company buys back its own shares.

Business Model (continued)

Risk	Controls and mitigation
Gearing The Fund Managers have authority to use gearing in line with the Company's investment policy. In the event of a significant or prolonged fall in equity markets any gearing in place would exacerbate the effect of the falling market on the Company's net asset value and, consequently, its share price. Gearing would have the opposite effect in the event of a significant or prolonged rise in equity markets in which the Company is invested.	The Company's investment policy sets a limit on borrowing of 20% of net assets at the time the borrowing is assumed, and the Board monitors the level of gearing at each meeting.
Operational The Company is reliant on third-party service providers for all its operational activities, including reliance on Janus Henderson as investment manager, corporate secretary and administrator to the Company. The Company depends on the diligence, skill and judgement of the Manager's investment team. Continuity of service of the team and individuals in the team could impact the future success of the Company. Failure of third parties' operational or internal control systems could prevent the accurate reporting or monitoring of the Company's financial position. Janus Henderson subcontracts some of the operational functions (principally those relating to trade processing, investment administration and accounting) to BNP Paribas. Failure of controls could also impact the Company meeting its regulatory obligations.	The Management Engagement Committee reviews each service provider at least annually, and, in conjunction with the Audit and Risk Committee, considers reports on internal controls, including any reported breaches, throughout the year, from all the service providers. This reporting covers such matters as continuity planning and cyber security risk as well as matters that are subject to review as part of the annual audit of the Company. Janus Henderson has a strong European Equities team, which supports the Fund Managers in the management of the Company's portfolio. Constructive challenge, succession and continuity planning are key elements of the management of the team and are reported on to the Board. The Board reviews the internal control structure and reporting for the Company from all its agents and meets with their representatives throughout the year to make enquiry on the systems and controls. The risk of failure of the Manager to manage financial or administrative controls, due to the increased possibility of cyber attacks whilst many employees worked from home, was increased due to the Covid-19 pandemic. The directors report that there has been no change to the level of service provided by the Manager or the Company's other third-party suppliers and the pandemic has served to highlight the resilience and high quality of the services provided. The Board considers climate risk in respect of operational capability in its review meetings with service providers.
Regulatory and reporting The Company operates in a highly regulated environment which could *inter alia* affect the listing of the Company's shares and the Company's tax status, as well as how the Company conducts its affairs in the market more generally. The Company also has strict reporting requirements that need to be adhered to both internally and externally to the market.	The Board is apprised regularly of impending regulatory and reporting changes and monitors closely, through its various agents, the Company's adherence to existing requirements, including maintaining investment trust and listed company status. The Board is also kept apprised of corporate governance guidance and, as far as practicable, adheres to corporate governance guidelines that are applicable to an investment company. The Board is kept informed by the Manager and professional advisers of relevant regulatory and reporting changes arising as a result of geopolitical events.

Details of how the Board monitors the services provided by Janus Henderson and its other suppliers, and the key elements designed to provide effective internal control, are explained further on pages 36, 41-42. Note 15 contains further details on the Company's exposure to market risk (including market price risk, currency risk and interest rate risk), liquidity risk, credit risk and how they are managed.

Business Model (continued)

The Company's viability

The AIC Code of Corporate Governance includes a requirement for the Board to assess the future prospects for the Company, and to report on that assessment within the Annual Report. The Board considers that certain characteristics of the Company's business model and strategy are relevant to this assessment:

- the Board aims to ensure that the Company seeks to deliver long-term performance;
- the Company's investment objective, strategy and policy, which are subject to regular Board monitoring, mean that the Company is invested mainly in readily realisable, listed securities and that the level of borrowings is restricted; and
- the Company is a closed-ended investment company and therefore does not suffer from the liquidity issues arising from unexpected redemptions.

Also relevant were a number of aspects of the Company's operational agreements:

- the Company retains title to all assets held by the custodian under the terms of formal agreements with the custodian and depositary;
- revenue and expenditure forecasts are reviewed by the directors at each board meeting; and
- cash is held with approved banks.

In addition, the directors carried out a robust assessment of the principal risks and uncertainties which could threaten the Company's business model, including future performance, liquidity and solvency, and considered emerging risks that could have a future impact on the Company. The Board takes into account the liquidity of the portfolio, short-term and structural gearing, the income stream from the portfolio, and the Company's ability to meet its liabilities as they fall due. This includes consideration of how the forecast income stream, expenditure and levels of reserves could impact the Company's ability to pay dividends to shareholders over that period. Detailed income and expense forecasts are made over a shorter time frame. However, the nature of the Company's business means that such forecasts are equally valid to be considered over the longer five-year period as a means of assessing whether the Company can continue in operation.

The directors assess viability over five-year rolling periods, taking account of foreseeable severe but plausible scenarios including the recent pandemic and its economic consequences. This included consideration of the duration of the Company's loan and borrowing facilities and how a breach of any covenants could impact the Company's NAV and share price. While they assess theoretical threats, the Board believes that empirically the recent experience of the technology crisis, financial crisis, Eurozone debt crisis, Brexit, Covid-19 pandemic and the heightened macroeconomic uncertainty following Russia's invasion of Ukraine have not materially affected the long-term viability of the Company in any way. The Board considers that these crises will not have a long-term impact on the viability of the Company and its ability to continue in operation, notwithstanding any short-term uncertainty they have caused in the markets.

In common with investment companies generally, the viability statement does not take into account corporate events which might be initiated by the Company or to which the Company might be subject, and where the Company's circumstances might be dramatically changed. An investment company has relatively liquid assets, compared to industrial or commercial companies, and can, therefore, be subject to major and unexpected strategic change. No such event or change is known or currently in contemplation by the Company. The directors believe that a rolling five-year period best balances the Company's long-term objective, its financial flexibility and scope with the difficulty in forecasting economic conditions affecting the Company and its shareholders.

Based on their assessment, and in the context of the Company's business model, strategy and operational arrangements set out on the previous pages, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period to September 2027.

Promoting the Company's success

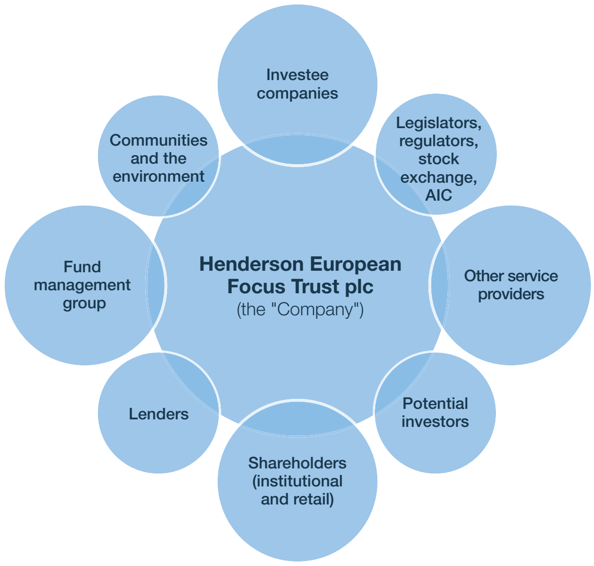
Section 172 statement

The directors act to promote the success of the Company for the benefit of its shareholders as a whole. In so doing, they have regard to the matters set out in s172(1) Companies Act 2006 ("CA06"). This includes the likely consequences of their decisions in the longer term and how they have taken wider stakeholders' needs into account. The Board's strategy is facilitated by engaging with a wide range of stakeholders through direct meetings, research and presentations and through service providers' interactions within the investment community and beyond.

As an investment company with no employees, our key stakeholders are our shareholders and investors, service providers, in particular our Manager, investee companies and lenders. Understanding stakeholders, their interests and views, enables the Company to fulfil its purpose and enables the directors to promote the success of the Company for the benefit of shareholders as a whole, with constant awareness of other stakeholders and their interests.

Business Model (continued)

As a Board, we have adopted a map to support us in identifying and understanding our stakeholders and fostering the appropriate level and form of interaction with them.



Set out below are examples of the ways in which the Board and the Company have interacted with key stakeholders in the year under review, in line with s172 CA06.

Stakeholders	Engagement	Outcome
Shareholders	The Board communicates with shareholders through the annual and half-yearly reports, factsheets and monthly commentary, quarterly ESG reports, press releases, videos recorded by the Fund Managers and articles, all made available on the Company's website. The directors meet with shareholders at the AGM which provides a forum for face-to-face debate with the Board and Fund Managers.	Clear communication of strategy and the Company's performance against its objective helps shareholders make informed decisions about their investments, based on information on short, medium and longer term aspects of the Company and its performance. This should also support a consistent and strong rating in the secondary market for the Company's shares.
	The Board addresses shareholder correspondence and reviews voting patterns at general meetings. The Chair meets with shareholders at their request, and always welcomes conversations.	Close interaction with shareholders enables the Board to run the Company in line with shareholders' interests as a whole and for the Company's long-term success.
	The Board has started an 'outreach' programme to make direct contact as far as possible with the Company's many indirect shareholders holding shares through platforms, so they can be as well informed as possible about the Company's position and prospects, and can communicate their views directly to the Company.	

Business Model (continued)

Stakeholders	Engagement	Outcome
Fund management group (Janus Henderson, providing investment management, administration and secretarial services as well as expertise in sales and marketing)	The Board regularly reviews performance against the investment objective, policy and guidelines, and receives presentations from the Fund Managers and other representatives of the Manager at each board meeting to exercise effective oversight of the portfolio, performance and strategic objectives. The Manager's performance in all respects is reviewed formally by the Management Engagement Committee ("MEC") each year. The directors work closely with Janus Henderson outside scheduled board meetings on matters relating to portfolio management, administration and governance oversight, including relationships with third parties and engagement with other stakeholders. They meet to develop strategy, including a sales and marketing plan to promote the Company with the aim of raising its profile which in turn helps raise its rating.	The Company is well managed and receives appropriate and timely advice and guidance for a reasonable cost. At the MEC meeting in September 2022, the directors assessed the Manager's performance and service to the Board, with a focus on changes in senior management. The directors monitor succession planning within Janus Henderson for all key positions supporting the Company. After consultation with the Fund Managers, new Head of Investment Trusts and senior managers, the directors were satisfied that any impact from the changes in senior management were beneficial and welcomed by the teams that supported the Company.
Other service providers, including: • BNP Paribas as accountant and administrator (outsourced by the Manager) • HSBC Bank plc as custodian and administrator • Equiniti Limited as registrar • Winterflood Securities Limited as broker • Kepler Partners LLP as independent research provider • Grant Thornton LLP as tax advisor for legacy 'Fokus Bank' withholding tax reclaims	Representatives of all the main service provider functions present regularly to the Board. The Company contracts directly with certain service providers for custodian, depositary and registrar services, and indirectly with BNP Paribas for fund administration and accounting services. The Manager maintains the day-to-day relationship with all service providers. The Board and Manager work with the broker, including their research and sales teams to provide access to the market and liquidity in the Company's shares. The Board invites representatives of the broker, independent research provider and the Manager's marketing and sales teams to provide regular updates on shareholders and is provided with analyses of shareholder movements.	The Company is an attractive investment and there is liquidity in its shares. It is supported by experienced and capable third parties for all the services required to be a well-functioning Company.
Investee companies	The Board sets the investment objective, with shareholder approval, and discusses stock selection, asset allocation, performance and prospects pertaining to investee companies, including strategy, current trading and ESG issues, with the Fund Managers at each board meeting. The Manager has a dedicated Corporate Governance and Responsible Investment Team which supports the Fund Managers in the investment process, and engages with investee companies on behalf of the Company to exercise good stewardship practices on matters including ESG and voting at company meetings.	The Fund Managers have conducted meetings with all portfolio companies' management teams in the past year to enable them to interrogate current trading and prospects for their businesses and engage over any issues. In this way the Company is a responsible and engaged investor.

Business Model (continued)

Stakeholders	Engagement	Outcome
Lenders • Loan noteholders • HSBC Bank	The Company maintains borrowings at low rates through the use of loan notes and an overdraft facility with HSBC to enhance returns. The Company confirms compliance with the loan covenants of both its short-term and long-term gearing facilities on a monthly basis. Janus Henderson provides the Board with regular financial covenant compliance validation and financial reports. The Company maintains a good relationship with its lenders.	The Board monitors borrowing, and through its financial reporting to stakeholders, provides validation of compliance with lending limits. During the year, the Board issued loan notes at a blended rate of 1.57%, as the directors believe this financing provides very attractively priced, long-term capital for the benefit of shareholders (see page 6 for more details).
Communities and the environment	The Board mandates the Manager, supported by its governance function, to engage with investee companies, when and where appropriate, on ESG matters in line with good stewardship practices, and with an approach agreed with the Board. The Board is also conscious of the importance of providing an investment product which meets the needs of its investors, including retail investors.	The Board is conscious of the need to take appropriate account of broader ESG concerns and for the Company to act as a good corporate citizen. An investment approach that meets the needs of investors provides a service valuable to the communities in which the Company operates. See the ESG/engagement section on pages 28-29 for more details.
Potential investors	The Board and Manager liaise to engage with the wider investor community through various forums to understand their requirements in addition to those of the current shareholders. The material made available to current shareholders, as set out at the top of this table on page 25, is also publicly available for the benefit of potential investors.	By understanding the Company's activities, performance, risks and prospects, potential investors will be able to make informed decisions about their investments.

Board decision making

The Board takes into consideration the Company's purpose, investment objective and investment policy as well as the interests of the Company's stakeholders when discussing matters and making decisions. The following are examples of the key discussions held and decisions made by the Board during the financial year ended 30 September 2022:

- **As geopolitical disruption ensued following Russia's invasion of Ukraine** and the international imposition of sanctions, the Board discussed with the Manager the potential impact of the macroeconomic uncertainties on the Company's portfolio and performance. The only investment directly impacted by sanctions was Nokian Renkaat, as summarised on page 11. After careful deliberation, the Board was satisfied that there was no need to make any change to the investment discipline and approach.
- **The directors reviewed the Company's debt structure** to take advantage of historically low rates to increase debt capacity. After a thorough review of the costs and benefits of various options, the Board issued its first loan notes in January 2022: EUR 35 million long-duration notes (EUR 25 million maturing in 2047 and EUR 10 million maturing in 2052) at an extremely low blended interest rate of 1.57%, as the Chair's Statement outlines further on page 6.
- **The directors carefully considered the viability and going concern assessment for the Annual Report,** particularly in view of the ongoing impact of Covid-19 and the increase in geopolitical risk and uncertainty following the Russian invasion of Ukraine. While direct effects on our portfolio companies have been minor, the impact of sanctions on economies in Europe and globally has been significant. Rising energy prices and further disruption to supply chains have exacerbated inflationary pressure and will also create a negative impact on global growth. These discussions included consideration of the position and duration of the Company's loan facilities, and the Company's ability to meet its investment objective. Page 24 sets out the viability assessment in full, note 1b) on page 61 gives the going concern assessment, and the discussion of risk is on pages 21-23.
- **The directors had discussions about succession planning and recruitment,** which culminated in the appointment of Marco Bianconi in June 2022. Recruitment for fully engaged non-executive Board requires close consideration of collective competence, chemistry and constructive contribution from everyone on the Board. The directors also agreed to further augment diversity on the Board with future hires. Both Marco and the next director to join the Board will bring additional diversity of thought, skills and experience to the Board (see pages 28 and 37-38).

Business Model (continued)

- **The directors carefully assessed the size of the dividend and the strength of the Company's balance sheet.** They agreed that, subject to shareholder approval, the final dividend should be increased and a special dividend paid as fully covered dividends, with no use of revenue reserves and on the basis of strong revenue projections for future years. This will benefit shareholders and align the Fund Managers' interests with those of shareholders. See the Chair's Statement on page 5 for more details.
- **At each board meeting, the directors discussed the Fund Managers' approach to investing responsibly,** voting at investee company meetings and other areas of stakeholder engagement, including their quarterly analysis (available on the Company's website) of the impact that the portfolio companies' approach to ESG matters has on the wider community.
- **During the year, the directors investigated commencing a securities lending programme.** However, as voting all shares held at portfolio meetings is a priority for the Board, the Board decided not to operate securities lending at this time.
- **The directors held a dedicated strategy meeting and validated the Company's policy and strategic approach to investment.** This included ensuring alignment with ownership interests and incorporated a presentation from an external independent strategist. The directors considered in detail the structure, costs and promotion of the Company to the secondary market, and the comparison of the Company with competitor open and closed-ended products, holding discussions with a representative of a major share dealing/fund selector platform, and assessed the policy on share buybacks and discount control with the corporate broker**.**
- **The directors held several discussions about the appropriate time to hold an audit tender** in line with legislation and good governance practice. It was agreed to commence preparations for an audit tender in the financial year commencing 1 October 2023, as explained further in the Audit and Risk Committee Report on page 40.
- **The Board arranged for the Company's half-year and annual results to be prepared and released.** By presenting the financial results to shareholders in the Half-Year Update and Annual Report as well as market announcements, and making them available on the website to other stakeholders, the Company enabled shareholders and potential investors to make informed decisions about their investment in the Company.

Culture

As explained on page 24, the directors' overarching duty is to promote the success of the Company for the benefit of investors, with consideration of other stakeholders' interests. The directors promote mutual respect combined with constructive challenge, informed enquiry and a strong focus on shareholder interests. Integrity, fairness and diligence are defining characteristics of the Board's culture. All directors seek to properly discharge their responsibilities and meet shareholder expectations in an open, transparent manner. The Company has policies and procedures in place to assist with maintaining a culture of good governance including those relating to directors' conflicts of interest, dealings in the Company's shares, bribery and tax evasion.

The Board welcomes diversity, and considers the culture of the Manager and other service providers through regular reporting and presentations to ensure cultural alignment.

Diversity policy

The Company's affairs are overseen by a Board currently comprising five non-executive directors: two women and three men. At a 40% female/60% male ratio, the Board's gender balance among directors meets the target set by the FTSE Woman Leaders Review. Two of the Board's senior roles are filled by women: the Chair of the Board and Chair of the Audit and Risk Committee. The Company has no employees and therefore has no further disclosures to make in respect of gender representation within the Company.

The directors have discussed the Parker Review and considered the FCA's rules announced in April 2022 on diversity and inclusion on company boards and executive management, which for the Company will take effect from the financial year starting 1 October 2022. Of the five directors on the Board, all identify as either white British or from another non-British white background. Two directors are resident outside the UK and one director is an Italian national.

The Board takes diversity of background, thought, experience and approach into account in its composition, and is satisfied that this balance of diversity has been achieved for a fully engaged Board, drawn from experienced and competent practitioners from various fields, as demonstrated on page 31. The Board is also satisfied with its leadership, committee structure and close working relationships, internally and externally and that it is well equipped to challenge constructively all manner of the Company's operations and strategic direction. The Nominations Committee considers diversity as part of the annual effectiveness review, and ensures that long lists of candidates include diverse individuals of appropriate experience and merit.

The Board monitors the culture at Janus Henderson and appreciates that the Manager fosters and maintains an environment that values the unique talents and contributions of individuals, and strives to cultivate and practise inclusiveness for the long-term success of the business and for the benefit of its employees, investors and shareholders. The Board supports and encourages the Manager's diversity training and initiatives to improve any imbalances. Further details can be found at this link: **https://diversityproject.com/organisation/janus-henderson/.**

Board approach to ESG matters

Stewardship is a fundamental part of the Manager's long-term, active approach to investment management. Strong ownership practices, including engagement with management and boards,

Business Model (continued)

can help protect and enhance long-term shareholder value. Janus Henderson is a signatory to the UK Stewardship Code and is a founding member of the UN Principles of Responsible Investment ("UN PRI"). Additionally, Janus Henderson is a supporter of a number of broader ESG initiatives such as the Access to Medicine Index which aims to improve availability of healthcare in developed and emerging markets and Climate Action 100+, an investor-led initiative to engage with heavily emitting companies to reduce their greenhouse gas emissions.

The Board publishes quarterly ESG and engagement reports on the Company's website, including explanations of the Fund Managers' process, commentary and metrics. Pages 18-20 outline the Fund Managers' approach to ESG matters.

Voting and the Stewardship Code

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

Voting decisions are guided by the best interests of the investee companies' shareholders and made in consultation with the Fund Managers, who have an in-depth understanding of the respective company's operations. Voting decisions are taken in keeping with the provisions of the Manager's ESG Investment Principles, which set out the Manager's approach to corporate governance, corporate responsibility and compliance with the Stewardship Code, and are publicly available at **www.janushenderson.com**. To retain oversight of the process, the directors receive reports on how the Manager has voted the shares held in the Company's portfolio at each board meeting, and they review the Manager's ESG Investment Principles at least annually.

In the period under review, the shares in the Company's portfolio were voted in respect of 92% of meetings (44 of 48). The level of governance in leading global companies is generally of a high standard in terms of best practice, which meant support for the resolutions proposed by management was often warranted. However, in respect of 4% of resolutions at general meetings of the Company's investees during the year, support was not warranted and, following discussion between the Fund Managers and Janus Henderson's governance team, the resolutions were not supported. These resolutions related inter alia to the remuneration and re-election of directors, concerns about leadership, overboarding, inappropriate practice around meeting governance, human rights and issuance of securities.

The environment

The Fund Managers engage with investee companies on environmental matters where they arise, and the companies themselves report directly on their own emissions. As an investment company with all its activities outsourced to third parties, the Company's own direct environmental impact is minimal, occurring through the investments it makes. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions-producing sources[1]. For the same reasons, the Company considers itself to be a low energy user under the Streamlined Energy & Carbon Reporting ("SECR") regulations and therefore is not required to disclose energy and carbon information.

Our Manager recognises the importance of managing its operational activities in a sustainable way and minimising any adverse impact on the environment. In 2019 Janus Henderson committed to reducing its carbon footprint by 15% per full-time employee over three years based on 2018 consumption. In 2021 Janus Henderson reached this target and set new five-year targets in 2022 in line with guidance from the Science-Based Target Initiative to reduce Scope 1 (fuel) and Scope 2 (electricity) emissions by 29.4%, as well as Scope 3 (business travel, hotel stays, freight, paper consumption, water, waste) operational emissions by 17.5%.

In addition to this, Janus Henderson has maintained a CarbonNeutral® certification since 2007 and offsets all its operational Scope 1, Scope 2 and Scope 3 emissions each year. Through this process, Janus Henderson has invested in a variety of offset projects around the world, delivering financial support to essential renewable energy, forestry and resource conservation projects that support reductions in greenhouse gas emissions. All projects Janus Henderson supports have been classified as 'additional' by an independent third party, meaning that they would not happen without the sale of carbon credits.

Janus Henderson discloses its carbon emissions annually through regulatory and voluntary reporting frameworks, including SECR and CDP, as well as in its Annual Report and in its **2021 Impact Report**.

Business ethics

As the Company's operations are delegated to third-party service providers, the Board seeks assurances, at least annually, from its suppliers that they comply with the provisions of the UK Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017. The Company has received assurances from its main suppliers that they maintain a zero-tolerance policy towards the provision of illegal services.

Approval

The Strategic Report has been approved by the Board.

On behalf of the Board

Vicky Hastings
Chair of the Board
7 December 2022

1 Under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013

Governance

LVMH: Christian Dior ceiling

Board of Directors

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

Victoria (Vicky) Hastings

Position: Chair of the Board

Date of appointment: 1 September 2018 (appointed as Chair on 25 September 2020)

Experience and contribution: Vicky has over 30 years' experience in the investment management industry in both executive and non-executive roles. She is an experienced finance professional and board director, who brings a deep understanding of investment process and oversight, corporate governance and investment company expertise to the Board.

Other appointments: Vicky is senior independent director of Edinburgh Investment Trust plc and an independent non-executive director of Impax Environmental Markets plc and Alliance Trust PLC; Vicky is also a trustee of Moorfields Eye Charity. In her executive career she was a European equity fund manager and then held investment leadership roles at Merrill Lynch Investment Managers and JO Hambro Capital Management. Previous non-executive directorships include investment trusts as well as JPMorgan Asset Management UK Limited and JPMorgan Asset Management International Limited.

Eliza Dungworth

Position: Chair of the Audit and Risk Committee

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

Experience and contribution: Eliza brings comprehensive accounting, compliance and tax knowledge to the Board, as well as leadership skills from her senior roles at Fidelity International and Deloitte. Eliza is a chartered accountant and chartered tax adviser with a degree in law, and has a specialist understanding of the financial, regulatory and internal controls issues faced by investment companies. Eliza is resident in Luxembourg and contributes a European perspective.

Other appointments: Eliza is Head of Legal & Compliance for Investment Solutions & Services at Fidelity International and is a director of the management company responsible for oversight of Fidelity's SICAV funds. She is Deputy Chair of the Strategic Business & Risk Committee of the Investment Association. Eliza spent 25 years at Deloitte, 15 of those as a partner advising the investment management sector.

Robin Archibald

Position: Senior Independent Director

Date of appointment: 1 March 2016 (Senior Independent Director from 10 February 2021)

Experience and contribution: Robin brings in-depth knowledge, specialist expertise and extensive senior-level experience in all areas of the UK closed-ended funds sector. Robin's executive career spanned over 30 years as a corporate financier and chartered accountant.

Other appointments: Robin is chairman of Albion Technology & General VCT PLC, senior independent director and audit committee chairman of Capital Gearing Trust P.l.c, audit committee chairman of Shires Income PLC, and a non-executive director of Ediston Property Investment Company, all of which are investment companies. Robin was previously Head of the Corporate Team at Winterflood Investment Trusts until 2014 and has worked for other advisory firms including Samuel Montagu, SG Warburg Securities and NatWest Markets.

Stephen Macklow-Smith

Position: Director

Date of appointment: 9 July 2021

Experience and contribution: With over 30 years' experience in the asset management industry, and as a former investment trust fund manager, Stephen brings extensive investment knowledge, expertise and experience in European equity markets.

Other appointments: Stephen was a portfolio manager responsible for core Europe portfolios with JPMorgan for 24 years, and held various senior positions, including as managing director and strategist in the Equity Behavioural Finance Team. Stephen was previously head of the European team at HSBC Asset Management. Prior to this, he was a fund manager of European pension fund assets at Henderson Investors from 1986 to 1991.

Marco Maria Bianconi

Position: Director

Date of appointment: 1 June 2022

Experience and contribution: Marco brings a wealth of asset management and corporate leadership expertise, having served as a non-executive on the boards of global industrial firms, a public utility corporation and a wide range of firms in the financial services sector. Marco is also an executive senior manager with core competencies spanning stakeholder management, finance and accounting, strategy, cross-border M&A transactions and integration. As an Italian national, Marco contributes a European perspective.

Other appointments: Marco is Group Chief M&A, Integration, Corporate Development and Investor Relations Officer at Cementir Holding NV. He was previously a non-executive director of ACEA, Banca Antonveneta, Montepaschi Leasing & Factoring and Fabrica Immobiliare SGR. Marco's current non-executive directorships include Cimentas A.Ş., Cimbeton A.Ş. and Gabelli Merger Plus+ Trust Plc.

Corporate Governance Report

Chair's statement on corporate governance

Your Board is pleased to report below on the Board's approach to the governance of your Company. On page 31, you will find biographies of each director. As a Board, we believe that good governance creates value and we are committed to high standards of corporate governance, business ethics and transparency.

Compliance with corporate governance codes

By virtue of its premium listing on the London Stock Exchange, the Board is 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. The Board has therefore considered the principles and recommendations of the AIC Code, being the 2019 Code of Corporate Governance published by the Association of Investment Companies, of which the Company is a member. The AIC Code addresses the principles set out in the UK Code as well as additional principles and 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 fully meet their obligations under the UK Code and paragraph 9.8.6 of the Listing Rules. 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 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 confirms that the Company has applied the principles and adhered to the provisions of the AIC Code throughout the year under review and to the date of this report. The Company has no chief executive or other executive directors and therefore has no need to consider the remuneration of executive directors. In addition, the Company does not have any internal operations and therefore does not maintain an internal audit function, though the Audit and Risk Committee considers the need for such a function at least annually.

A separate remuneration committee has not been established as the Board consists of only five non-executive directors and the Company has no employees. The Board has expanded the remit of the Nominations Committee to include review of remuneration (see the Nominations Committee Report on pages 37-38). The Board Chair does not act as Chair of the Nominations Committee when it considers matters relating to the performance, succession or remuneration of the Chair.

The Board

The Board comprises five non-executive directors, whose biographies are included on page 31. These details demonstrate the breadth of investment, financial, commercial and professional experience relevant to their position as directors. Together as a Board they have overall responsibility for the Company's affairs and for promoting the long-term success of the Company. All directors in office at the date of this report served throughout the year, other than Marco Bianconi who joined on 1 June 2022.

The Board meets formally at least six times a year, with additional board or committee meetings arranged when required. The directors have regular contact with the Fund Managers, representatives of the corporate secretary and other employees of the Manager between formal meetings. 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. All matters that are not delegated to the Manager under the management agreement are reserved for the Board's decision. 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 annual and half-year results, communications with shareholders, the appointment of new directors, oversees corporate governance matters and, is responsible for determining the remuneration of directors.

The Board has three principal committees: the Audit and Risk Committee, the Management Engagement Committee and the Nominations Committee, as set out in the governance structure chart on page 33. The Board keeps its schedule of matters reserved and terms of reference for each committee under regular review, and these are available at **www.hendersoneuropeanfocus.com**. Reports on the activities undertaken by each committee during the reporting period are set out on pages 36-42.

Corporate Governance Report (continued)

Governance structure

Board of Directors

Comprises independent non-executive directors

Chair: Vicky Hastings

Senior Independent Director: Robin Archibald

Audit and Risk Committee (“ARC”)

Chair:
Eliza Dungworth

Purpose: Ensures the integrity of financial reporting, evaluates the effectiveness of systems of internal control and risk management, and oversees the relationship with external auditors

Management Engagement Committee (“MEC”)

Chair:
Vicky Hastings

Purpose: Ensures that the performance of the Manager and other service providers meets expectations and their terms of engagement remain appropriate

Nominations Committee (“NC”)

Chair:
Vicky Hastings

Purpose: Ensures the Board has a balance of skills, experience and diversity, oversees effectiveness reviews of the Board and its committees, reviews directors’ fees and maintains an effective framework for succession planning, with a formal approach to the appointment of directors

Third-party service providers appointed by the Board

Janus Henderson Investors

Fund Management: European Equities team with Tom O’Hara and John Bennett as the Company’s appointed Fund Managers

Sales, Marketing, Administration

Corporate Secretary: Janus Henderson Secretarial Services UK Limited

Alternative Investment Fund Manager: Janus Henderson Fund Management UK Limited

Ernst & Young LLP
Auditor

HSBC Bank plc
Custodian and depositary

Equiniti Limited
Registrar

Winterflood Securities Limited
Corporate broker

Kepler Partners LLP
Third-party research provider

Corporate Governance Report (continued)

Leadership and division of responsibilities

Role	Primary responsibilities
Shareholders/ investors	• Approving material changes to the Company's investment 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 • Determining the overall limit for directors' remuneration
Board	• Responsible for providing leadership of the Company's affairs • Setting the Company's investment objective, policy and strategy • Establishing a robust internal control framework enabling effective risk management • Appointing and monitoring the performance of service providers within the parameters of the control framework • Setting the Company's culture and values • Ensuring that obligations to shareholders and other stakeholders are understood and met • All directors are non-executive and independent of the Manager • No directors are linked via any other directorships
Chair	• Leading and managing Board business and ensuring the timely flow of information from service providers to the Board • Providing effective leadership of the Board including setting its agenda and determining its governance framework, culture and values, with the support of other directors and the corporate secretary • Leading the Board's relationship and engagement with shareholders and other stakeholders • Managing the relationship with the Manager • As Chair, Vicky Hastings was independent on appointment in accordance with the AIC Code criteria and has no relationships that may create a conflict between her interests and those of shareholders
Committee Chairs	• The leadership and governance of their Committee • Maintaining the relationships with specialist service providers delivering services within the remit of their Committee • Reporting on the activities of their Committee to the Board • Seeking approval from the Board for the responsibilities set out in their respective terms of reference
Senior Independent Director	• Fulfilling the role of sounding board for the Chair and intermediary for the other directors as necessary • Leading the effectiveness review of the Chair • Acting as a channel of communication for shareholders in the event that contact through the Chair is inappropriate
Independent non-executive directors	• Providing constructive and effective challenge, especially to the decisions of the Manager • Scrutinising and holding to account the performance of: – the Fund Managers in meeting the investment objective – Janus Henderson in the promotion of the Company and day-to-day smooth operations of the Company's business • Providing strategic guidance and offering specialist advice
Manager (AIFM)	• 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 AIF • Providing accounting, company secretarial and administrative services to the Company ensuring compliance with the applicable statutory and regulatory provisions • Coordinating the delivery of services provided by the Company's other third-party service providers
Fund Managers	• 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 • Determining the frequency and level of gearing within the overall limits set by the Board

Corporate Governance Report (continued)

Operation of the Board

Each board meeting follows a formal agenda, which includes a review of the Company's investment performance, financial position, compliance with the investment parameters, a review of shareholder movements along with any sales and marketing activities undertaken and any other relevant business matters in order to ensure that control is maintained over the Company's affairs. Employees of the Manager attend each board meeting enabling the directors to discuss the affairs of the Company and to probe further on matters of concern. The Board receives and considers regular reports from the Manager and ad hoc reports and information from other parties as required.

The Board has engaged third-party service providers to deliver the operations of the Company. Janus Henderson has been appointed to provide investment management services, and also provides the day-to-day accounting, company secretarial, administrative, sales and marketing activities. The Company has appointed a depositary, HSBC Bank plc, which in turn appoints the custodian responsible for the safe custody of the Company's assets. The Company has appointed a registrar, Equiniti Limited, to maintain the register of members and assist shareholders with queries in respect of their holdings. Each of these principal contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. The Board and its committees maintain oversight of the third-party service providers through regular and ad hoc reporting. The Board meets annually with representatives of service providers to discuss amongst other matters performance, service levels, their value for money, information security and business resilience.

The Manager ensures that all directors receive, in a timely manner, relevant management, regulatory and financial information, to allow them to discharge their responsibilities and enable smooth functioning of the Board and its committees.

The Board has direct access to the advice and services of the nominated chartered secretary, Johana Woodruff ACG, who has been appointed by the corporate secretary Janus Henderson Secretarial Services UK Limited, a subsidiary of Janus Henderson with its own reporting lines and audited internal controls. There are processes and controls in place to ensure that there is a clear distinction between the two entities, particularly when dealing with any conflicts or issues between the Company and Janus Henderson.

The corporate secretary is responsible to the Board for ensuring compliance with Board and committee procedures and applicable rules and regulations. The proceedings at all board and committee meetings are fully minuted, with any director's concerns recorded in the minutes. The Board has the power to appoint or remove the secretary in accordance with the terms of the management agreement.

Any correspondence from shareholders addressed to the Chair or to the Company received by Janus Henderson is forwarded to the Chair in line with the established procedures in place, and is submitted to the next board meeting as appropriate.

The Board, the Fund Managers and the corporate secretary operate in a supportive, co-operative and open environment.

Arrangements with directors

Appointment, tenure and retirement

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 in accordance with the provisions of the Company's articles of association (the "Articles").

The directors, including the Chair of the Board, are generally expected to serve for no more than nine years, other than in exceptional circumstances, subject to a satisfactory Board effectiveness review. 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 their term by passing an ordinary resolution at a general meeting. An appointment may be terminated by either party giving written notice without compensation payable.

Independence

The independence of the directors is determined by reference to the AIC Code and is reviewed by the Board at least annually. The Board considers each director's external appointments and commitments, as well as their tenure of service and any connections they may have with the Manager. Following completion of the annual Board effectiveness review in September 2022 and assessment by the Nominations Committee, the Board concluded that all directors continue to be independent in character and judgement.

Induction and ongoing training

Newly appointed directors are offered an induction programme bespoke to their role 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 bespoke training provided for investment trust directors provided by the Manager, as well as external training and industry seminars.

Corporate Governance Report (continued)

Relevant external training may be undertaken at the expense of the Company.

In addition, the Chair is able to attend meetings of all the chairs of the investment trust companies managed by Janus Henderson which provide a forum to discuss industry matters which would then be reported back to the Board. The Company has a procedure for directors to take independent professional advice in the furtherance of their duties at the expense of the Company.

Directors' insurance and indemnification

Directors' and officers' liability insurance cover is in place which indemnifies the directors against certain liabilities when carrying out their duties. The Company's Articles provide for an indemnity in respect of costs which directors may incur relating to the defence of any proceedings brought against them arising from their position as directors, where they are acquitted or judgment is given in their favour. The Company has granted an indemnity to each director to the extent permitted by law regarding their potential liabilities as directors of the Company.

Directors' conflicts of interest

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

Board attendance

The table below sets out the number of formal board and committee meetings held during the year under review and attended by each director. Each director attended every board and committee meeting to which they were entitled throughout the year.

	Board	ARC	NC	MEC
	Number of meetings			
Vicky Hastings[1]	6	n/a	3	1
Robin Archibald	6	3	3	1
Eliza Dungworth	6	3	3	1
Stephen Macklow-Smith	6	3	3	1
Marco Bianconi[2]	2	1	1	1

1 Though not a member, Vicky Hastings attended each of the meetings of the Audit and Risk Committee during the year by invitation

2 Appointed as director on 1 June 2022

All directors in office in January 2022 attended the Annual General Meeting. Outside the formal meetings identified above, the Board or committees had regular interaction over the year on various corporate activities, and met additionally to undertake business such as the approval of the Company's results and dividends, issuance of the loan notes and appointment of Marco Bianconi as director.

Audit, risk and internal control

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness, as set out in the chart on page 42.

The depositary has confirmed that it has not discharged liability in relation to any of the Company's assets, and that, in all material respects, the Company has been managed in accordance with the FCA's Investment Funds Sourcebook, the Company's articles of association and as required by the Alternative Investment Fund Managers Directive.

The Board has reviewed the effectiveness of the Company's system of internal controls for the year ended 30 September 2022. During the course of its review the Board did not identify and was not advised of any failings or weaknesses that were determined as significant. The Audit and Risk Committee supports the Board in the continuous monitoring of the internal controls and risk management framework. Its considerations in this respect, including why the Company does not have its own internal audit function, are set out on pages 41-42.

Management Engagement Committee

Role and responsibilities

The Management Engagement Committee ("MEC") is responsible for reviewing the management contract on a regular basis, ensuring that the terms are fair and reasonable and that its continuance, given the Company's performance over both short and longer terms, is in the best interests of the Company and its shareholders. It is also responsible for reviewing the performance and cost effectiveness of the Company's other service providers.

Membership

All directors are members of the MEC, which is chaired by the Chair of the Board.

Meetings

The MEC meets at least annually, with additional meetings scheduled when required.

Activities during the year

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

- the investment performance of the Company over the short and longer term, taking account of the benchmark and performance of competitors in the AIC and Investment Association OEIC peer groups, the share price total return,

Corporate Governance Report (continued)

NAV total return, dividend growth, dividend yield and discount versus the peer group and wider universe of European funds;

- all fees and costs incurred by the Company, as part of the assessment of the Manager's performance, and the skill of the Fund Managers, and agreed that the discount at which the Company's shares traded was not a reflection on costs incurred or the skill of the Fund Managers;
- the independence of the corporate secretary from the Manager, noting the audited processes and procedures in place;
- the quality of other services provided by the Manager, including company secretarial, sales and marketing and accounting;
- the quality and experience of the team involved in managing all aspects of the Company's business;
- the fee structures of its competitors in the AIC peer group and other Janus Henderson managed investment companies as a benchmarking exercise;
- the key clauses of the management agreement, how the Manager had fulfilled these and whether they continued to be appropriate; and
- the performance and fees of the Company's other third-party service providers, including the brokers, depositary, custodian, registrar, auditors and lawyers.

Continued appointment of the Manager

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. Following completion of the annual review and on the MEC's recommendation, it is the Board's opinion that the continuing appointment of the Manager and other service providers on the existing terms is in the interests of the Company and its shareholders as a whole.

MEC effectiveness review

The activities of the MEC were considered as part of the Board effectiveness review.

Nominations Committee

Role and responsibilities

The Nominations Committee ("NC") is responsible for reviewing Board succession planning and tenure policy, the effectiveness of the Board as a whole and its committees, the appointment of new directors through an established formal procedure, and reviewing directors' fees.

Membership

The NC is chaired by the Chair of the Board, except when the Chair's effectiveness, successor or fees are being considered. All directors are members of the NC.

Meetings

The NC meets at least annually, with additional meetings scheduled when required. In the year under review the NC met formally three times.

Activities during the year

In discharging its duties over the course of the year, the NC considered and made recommendations for approval by the Board as appropriate:

- the composition of the Board and each of its committees, taking account of the contribution of the skills, experience and knowledge of each director to the success of the Company, and using the Board's skills matrix;
- the directors' and the Chair's tenure policy, giving consideration as to whether the Board retained a sufficient balance of tenure without becoming complacent;
- the independence of the directors, taking account of the directors' other commitments, in line with the guidelines established by the AIC Code;
- the time commitment of the directors, in the context of their other business commitments and appointments, and whether this had been sufficient over the course of the year;
- directors' fees for the financial year ahead;
- succession planning for appointments to the Board;
- the criteria for future Board appointments and the methods of recruitment, selection and appointment;
- selection of a candidate for the role of non-executive director;
- review of the formal diversity policy with the aim of increasing ethnic diversity on the Board; and
- the effectiveness and contribution of the directors standing for election and re-election at the forthcoming AGM.

Succession planning

When considering succession planning and tenure policy, the NC bears in mind the balance of skills, knowledge, experience, gender and diversity make-up of the Board, the achievement of the Company's investment objective and compliance with the Company's Articles and the AIC Code. Individual performance and the contribution of each director remain an integral element of the Company's approach.

The NC also reviews and recommends to the Board the directors seeking re-election. Re-election is not automatic and will follow a process of evaluation of each director's performance and consideration of the director's independence, as well as the mix of skills and experience of the current Board members. The NC considers the time commitment of the directors, including other business commitments and appointments. See page 28 for more details on the Board's commitment to diversity.

Corporate Governance Report (continued)

As explained in the Chair's Statement, Ms Dungworth has expressed to the NC her intention to retire from the Board in the coming year, and this has been taken into account in the NC's succession planning.

Appointment of director

Trust Associates was appointed as external recruitment agent to support the Board in their search for a new non-executive director during the year. The NC identified Marco Bianconi as a candidate from the recruitment process conducted by Trust Associates in 2021 who had been interviewed on multiple occasions by the Board. The Board agreed that Mr Bianconi possessed all the skills and qualities desirable to the Board at this time, including a Continental European perspective (being an Italian national living and working in Italy), with his investment experience as a fund manager and senior corporate executive roles in the building materials industry, as well as valuable investor relations experience.

Trust Associates undertook a benchmarking exercise of Mr Bianconi against other candidates who were available for the role. After a rigorous review of the benchmarked candidates, Mr Bianconi was selected against the recruitment criteria, which included personal strengths and other commitments.

On conclusion of the process, the Committee was pleased to recommend Mr Marco Bianconi's appointment to the Board. Following Board approval, Mr Bianconi was appointed with effect from 1 June 2022.

The services provided by Trust Associates were for the sole purpose of recruiting the eventual appointee. Trust Associates has not provided any other services to the Company and has no connection with any of the directors.

Board effectiveness review

In the year under review, the Nominations Committee conducted an internal review of the effectiveness of the Board, its committees and directors. Interviews were held by the Chair with each director using a list of salient topics, including delivering value for shareholders, board processes and decision making, succession planning, objectives, strategy, dividends, supervision of the service providers, Fund Managers, consideration of stakeholders' other interests, communication in the investment trust industry and market trends. The Senior Independent Director undertook a review of the Chair's effectiveness, taking feedback from each director and the Manager.

On the basis of the findings and the NC's recommendations, the Board concluded that:

- each director makes a significant contribution to the affairs of the Company and brings different qualities to the Board;
- the Chair displays effective, inclusive leadership and strong stakeholder engagement;
- the Board has an effective devolved committee structure;
- the bespoke investment trust director training sessions provided by the Manager were helpful and valued;
- each director merited election or re-election by shareholders as appropriate;
- no director is 'overboarded' under the FRC's guidelines, and each director continues to dedicate the time required to fulfil their duties to the Company effectively;
- the Board's size and composition remain appropriate for the Company;
- the Board retains a good balance of skills and business experience, as set out on page 31;
- the introduction of fixed-term debt in the year was successful and a good collaboration with the Manager;
- recruitment of a new non-executive director from a non-white ethnic minority background would be beneficial for Board composition and balance;
- the committees continue to support the Board efficiently in fulfilling its duties; and
- the Board continues to operate effectively.

The NC considered Robin Archibald's external non-executive appointments, all of which are investment companies, including a board chairmanship of a venture capital trust. Following careful consideration of his interests and appointments, and being conscious of the reduced obligations and time commitment required as an investment company director rather than as a director of trading companies, the NC believes that Mr Archibald has sufficient time available and has demonstrated clear commitment and expertise to his role as director of the Company. A similar exercise was carried out in respect of the roles of the other non-executive directors of the Company.

The effectiveness review did not identify any causes for concern but helped to identify where the Board required strengthening and further succession planning, including for the role of Audit and Risk Committee Chair in view of the expected retirement of Eliza Dungworth in 2023, as outlined in the Chair's Statement. Plans will be implemented over the medium term and future appointments made, whilst retaining a competent and engaged Board.

NC effectiveness review

The activities of the NC were considered as part of the Board effectiveness review. The NC is intending to conduct its next review of Board effectiveness through an external facilitator.

On behalf of the Board

Vicky Hastings
Chair of the Board
7 December 2022

Audit and Risk Committee Report

The Chair of the Audit and Risk Committee, Eliza Dungworth, reports to shareholders on the year to 30 September 2022

Role and responsibilities

The 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 appointment, effectiveness and objectivity of the external auditor.

The Committee Chair formally reports to the Board after each meeting, and makes recommendations for approval where relevant. The Committee's responsibilities are set out in formal terms of reference, available on the website, which are reviewed at each meeting.

Membership

The members of the Audit and Risk Committee (the "Committee") are Eliza Dungworth, Robin Archibald, Stephen Macklow-Smith and Marco Bianconi. Vicky Hastings as Chair of the Board attends the Committee's meetings by invitation only, in accordance with the AIC Code. The Committee is chaired by Eliza Dungworth, who is a chartered accountant and chartered tax adviser, with a degree in law. The Committee as a whole has competence relevant to the sector in which the Company operates and to the Company as an investment trust.

Meetings

The Committee met formally three times during the year under review: in advance of the publication of the annual and the half-year results and on one other occasion with an agenda that was focused on its broader risk and internal control responsibilities. The Company's auditor is invited to attend meetings as appropriate. Representatives of the Manager attend at least on an annual basis, including the Financial Reporting Manager and representatives of the Operational Risk, Internal Audit and Business Resilience functions and the Chief Information Security Officer.

Committee effectiveness review

The activities of the Committee were considered as part of the Board effectiveness review.

Activities during the year

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

- the accounting policies and the quality and effectiveness of the accounting records and management information maintained on behalf of the Company;
- the half-year and annual results and the Annual Report. This included disclosures on internal controls, risk management, viability, going concern and related parties, and consideration of whether the report was fair, balanced and understandable and provided the information necessary for the Company's shareholders to assess the Company's position and performance, business model and strategy;
- the appropriate level of dividend to be paid by the Company, including sufficiency of revenue reserves, for recommendation to the Board;
- the internal controls and the resilience of operations in place at Janus Henderson, BNP Paribas as administrator, HSBC Bank as depositary and custodian and Equiniti as registrar, including during periods where 'home office' working was compulsory;
- Janus Henderson's policies and activities in relation to information security and business resilience, meeting with representatives of Janus Henderson's Internal Audit, Information Security and Risk departments;
- the key risks, risk management systems in place and the Company's risk map as modified to reflect changes to the risk environment;
- the Company's Anti-Bribery Policy and the policies and procedures in place to prevent tax evasion;
- the nature and scope of the external audit and its findings;
- whether there is a need for an internal audit function;
- the appointment of the auditor, their performance, remuneration and tenure of appointment, their independence, objectivity and effectiveness, and the reporting of the external auditor;
- the audit plan, including the principal areas of focus;
- the Manager's and other key service providers' whistleblowing policies for staff to raise concerns about possible improprieties, including in relation to the Company, in confidence;
- the management fee calculations; and
- the Company's taxation affairs, including withholding tax recoverability and the Committee Chair's annual meeting with the Company's custodian on taxation matters.

Audit and Risk Committee Report (continued)

Audit appointment and tenure

Regulations currently in force require the Company to rotate audit firms after a period of ten 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. Ernst & Young LLP ("EY") was appointed as the Company's auditor on 25 July 2014 following the last formal tender process, prior to which Grant Thornton UK LLP had been in office as auditor.

Subject to the audit remaining effective and the continuing agreement from shareholders on the appointment of auditors, the Committee envisages carrying out an audit tender process in 2023 to ensure a new auditor is place for the year ending 30 September 2024. The proposed tender is considered to be in the best interests of shareholders and the Company.

The auditor is required to rotate partners every five years. This is the fourth year in which Mike Gaylor, the Audit Partner, has been in place.

Audit fees

The fees payable to EY for audit services were £45,000 (2021: £40,000) plus VAT and EY provided no other services during the year.

Policy on non-audit services

The Committee has approved, and keeps under regular review, a policy for the provision of non-audit services by the auditor. The policy sets out that the Company's auditor will only be considered for non-audit work where this is not prohibited by current regulations and where it does not affect the independence and objectivity of the auditor. 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 years preceding the financial year to which the cap applies. Such services require approval in advance by the Committee, or Committee Chair, following due consideration of the proposed services. No non-audit services were provided in the year under review or in the previous year.

Audit for the year ended 30 September 2022

In relation to the Annual Report for the year ended 30 September 2022, the following significant issues were considered by the Committee:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	There is a risk that assets are incorrectly valued or ownership of assets is not secured. Actively traded investments are valued using stock exchange prices provided by third-party pricing providers and the portfolio valuation is reviewed at each meeting of the Board. Ownership of listed investments is verified by BNP via reconciliation to the custodian's records and the Board receives quarterly reports from the depositary.
Recognition of income	Income received is accounted for in line with the Company's accounting policies (as set out on page 61). The Committee considered the treatment of the special dividends received during the course of the year and foreign withholding tax recoverability.
Compliance with s1158 Corporation Tax Act 2010	The Committee reviews the Manager's procedures for ensuring compliance with relevant regulations so the Company maintains its investment trust status, and regularly seeks confirmation of compliance with the relevant regulations.
Maintaining internal controls	The Committee carries out the annual assessment of the effectiveness of the Company's internal control and risk management systems by reviewing the framework and summary of the reporting received from its service providers throughout the financial year. All assurance reports were unqualified by their service auditors.
Viability and going concern	The Committee scrutinised assumptions around the viability and going concern statements respectively, as set out on pages 24 and 61, especially factors behind pandemic disruption, macro inflation and geopolitical disruption, to satisfy itself of the Company's resilience over the five-year timeframe.

Audit and Risk Committee Report (continued)

Auditor review and independence

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

For the audit of the year under review, EY confirmed that all 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. The Committee satisfied itself of the auditor's independence and objectivity by the review carried out and the responses received.

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 Chair.

In assessing the effectiveness of the audit process for the year under review, the Committee Chair invited views from the directors, the Fund Managers 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. The Committee also had the opportunity to meet privately with the Audit Partner to discuss how the audit operated from his perspective, without representatives of the Manager present.

Overall, the Committee considers that the audit quality for the year ended 30 September 2022 has been high and that the Manager and EY have worked together to enhance and improve reporting to shareholders.

Following completion of the assessment, the Committee remained satisfied with the effectiveness of the audit provided by EY and therefore recommended to the Board their continuing appointment. EY has indicated their willingness to continue in office. Accordingly, resolutions reappointing EY as auditor to the Company and authorising the directors to determine their remuneration will be proposed at the January 2023 AGM.

Internal control and risk management

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

The Board has established an ongoing process for identifying, evaluating and managing the principal and new or emerging risks faced by the Company, as set out on pages 21-23. The process accords with the FRC's guidance on Risk Management, Internal Control and Related Business and Financial Reporting published in September 2014. The system was in operation throughout the period and up to the date of this report and is designed to meet the specific risks faced by the Company, taking account of the nature of the Company's reliance on its service providers and their internal controls. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute assurance against material misstatement or loss.

The key components of the internal control framework include:

- clearly defined investment criteria which specify levels of authority and exposure limits. The Board reviews reports on compliance with the criteria at each meeting;
- regular reporting which 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 other third-party service providers. The Management Engagement Committee reviews performance levels and adherence to relevant provisions of the agreements on a regular basis through reports received and conducts a formal evaluation of the overall level of service provided at least annually;
- review of controls at the Manager and other third-party service providers, complementing the review of their performance and contracts by the Management Engagement Committee, as set out on pages 36-37. 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 Committee has reviewed the Company's system of internal controls for the year ended 30 September 2022. Following its review, it determined and reported to the Board that it had not identified any failings or weaknesses relating to the Company's portfolio that were determined as significant.

Audit and Risk Committee Report (continued)

System of Internal Controls

Ernst & Young LLP
(Statutory auditor)

Board of Directors
(comprises independent, non-executive directors)

How the system of internal control operates

The Board delegates contractually to third-party service providers for all the Company's operational requirements. It maintains oversight of these providers throughout the year by receiving regular reporting on their activities. All are considered key stakeholders.

The Management Engagement Committee formally evaluates the performance and service delivery of all service providers annually.

The Audit and Risk Committee evaluates the performance of the auditor on completion of each audit cycle, and monitors the effectiveness of the control environment of the Manager, Equiniti, HSBC and BNP Paribas on an annual basis through review of their annual assurance reports, supplemented by the view of the Manager's Operational Risk team.

Janus Henderson
(Investment management, company secretarial, sales, marketing, PR and administration)

Reporting
- Investment performance update (at each meeting)
- Compliance with investment limits and restrictions (monthly)
- Internal controls report (quarterly)
- Effectiveness of control environment (annually)

HSBC
(Depositary and custodian)

Reporting
- Depositary report (quarterly)
- Presentation from the depositary and custodian (annually)
- Effectiveness of control environment (annually)

BNP Paribas
(Accounting services engaged by the Manager)

Reporting
- Balance sheet
- Liquidity and gearing
- Revenue forecasts
- Portfolio valuation
- Portfolio transactions
- Effectiveness of control environment (annually)

Equiniti Limited
(Registrar)

Reporting
- Voting and scrutineer reports pre- and post-shareholder meetings
- Shareholder correspondence
- Operational service updates
- Effectiveness of control environment (annually)

Internal audit function

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

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

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

Eliza Dungworth
Chair of the Audit and Risk Committee
7 December 2022

Directors' Remuneration Report

Remuneration Policy

The Remuneration Policy (the "Policy") sets out the principles applied in the remuneration of the Company's directors. Shareholders last approved the Remuneration Policy at the AGM held on 28 January 2021. No changes to the Policy are proposed, and the Board may amend the level of remuneration paid to individual directors only within the parameters of the Policy.

In determining the Remuneration Policy, the Board takes into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the AIC Code.

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

- reflect the time spent by them on the Company's affairs;
- reflect the responsibilities borne by them as directors;
- be sufficient to promote the long-term success of the Company and comparable to the remuneration paid by other investment trusts of a similar size with a similar capital structure and investment objective; and
- not exceed the current aggregate remuneration limit of £250,000 per annum.

Directors are remunerated in the form of fees which are payable quarterly in arrears. No director is eligible to receive bonuses, pension benefits, share options or other benefits and no long-term incentive schemes are in place. The directors may be reimbursed for all reasonable and properly documented expenses incurred in the performance of their duties and may be eligible to receive additional remuneration, in specific circumstances, for services which go beyond the ordinary duties of a non-executive director. The level of remuneration paid to each director is reviewed annually, particularly in terms of whether the Policy supports the Company's long-term sustainable success, though such review will not necessarily result in a change to the rates. The review incorporates analysis of up-to-date information about remuneration in other companies of comparable scale and complexity, in order to avoid and manage conflicts of interest in determining fee levels.

Shareholders' views

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

Letters of appointment

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

Recruitment principles

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

Report on implementation

The Directors' Remuneration Report (the "Report") is prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended (the "Regulations"). An ordinary resolution to approve the Report will be put to shareholders at the January 2023 AGM.

Annual Statement

As the Company has no employees and the Board comprises entirely non-executive directors, the Board has not established a separate remuneration committee. Directors' remuneration is determined by the Board as a whole within the parameters of the Policy approved by shareholders. The Nominations Committee and reviews directors' fees and makes recommendations to the Board for its decision as to the appropriate level of fees.

During the year the directors reviewed the fees paid by other investment companies in the AIC Europe sector (the Company's peer group), fees paid to similar-sized investment companies and those paid by other investment trusts managed by Janus Henderson. The directors also took into consideration the prevailing rate of Consumer Price Index rate as well as the increasing responsibilities and time commitment required of the role. Following careful consideration, the Board agreed an increase in directors' fees as set out in the table below.

	Chair £	Audit & Risk Committee Chair £	Senior Independent Director £	Directors £
Rate in the year to 30 September 2022	38,000	32,000	29,500	27,000
Rate from 1 October 2022	40,000	33,500	30,500	28,000
% increase	5.3	4.7	3.4	3.7

Directors' fees were previously increased from 1 October 2020, other than the fee for the Senior Independent Director, which was increased from £29,000 to £29,500 when Robin Archibald was appointed as such in February 2021. Prior to that, fees were last increased in 2017.

The Board believes that both the individual remuneration and the aggregate fee levels take account of the needs of a very engaged non-executive board of experienced practitioners in the sector, and the likely need to recruit to the Board in the near to mid-term. There have been no other major decisions on directors' remuneration or any other changes to the remuneration paid to each individual director in the year under review. There will be no significant change in the way that the remuneration policy will be implemented in the course of the new financial year.

Directors' Remuneration Report (continued)

Directors' interests in shares (audited)

	Ordinary shares of 5p each[1]	
	30 September 2022	1 October 2021
Vicky Hastings	**75,000**	75,000
Robin Archibald	**26,030**	26,030
Eliza Dungworth	**4,800**	4,800
Stephen Macklow-Smith	**3,832**	–
Marco Bianconi[2]	**–**	n/a

The interests of the directors in the shares of the Company at the beginning and end of the financial year are shown in the table. There have been no changes to any of the current directors' holdings since the year end in the period up to the date of this report. Directors are not required to hold shares of the Company by way of qualification.

1 Comparative figures for shares held at 30 September 2021 have been restated due to the subdivision of each ordinary share of 50p into 10 shares of 5p each
2 Appointed on 1 June 2022

Directors' remuneration (audited)

The remuneration paid to the directors who served during the years ended 30 September 2022 and 30 September 2021 is as follows:

	Year ended 30 September 2022 Total salary and fees £	Year ended 30 September 2021 Total salary and fees £	**Year ended 30 September 2022 Taxable benefits† £**	Year ended 30 September 2021 Taxable benefits† £	**Year ended 30 September 2022 Total £**	Year ended 30 September 2021 Total £
Vicky Hastings[1]	38,000	38,000	–	–	38,000	38,000
Eliza Dungworth[2]	32,000	32,000	–	–	32,000	32,000
Robin Archibald[3]	29,500	28,660	589	–	30,089	28,660
Stephen Macklow-Smith[4]	27,000	6,163	–	–	27,000	6,163
Marco Bianconi[5]	9,000	–	1,130	–	10,130	–
Total	**135,500**	**104,823**	**1,719**	**–**	**137,219**	**104,823**

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.

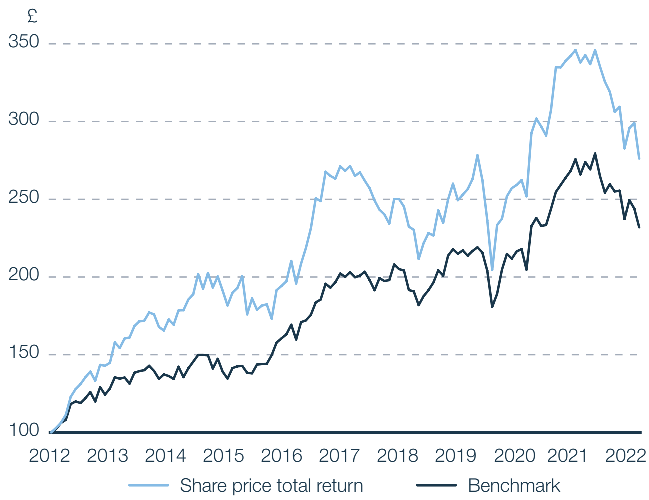
1 Chair and highest paid director 2 Chair of the Audit and Risk Committee 3 Appointed Senior Independent Director 10 February 2021
4 Appointed director 9 July 2021 5 Appointed director 1 June 2022

† Reimbursement of travel expenses to attend board business. The expenses are 'grossed up', reimbursed through payroll and in certain circumstances are subject to personal taxation and national insurance.

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

Performance

The graph compares the share price total return of the Company's shares over the ten-year period ended 30 September 2022 with the return from the FTSE World Europe ex UK Index on the same basis in sterling terms, assuming the investment of £100 on 30 September 2012 and reinvestment of all dividends and income (excluding dealing expenses). During the 10-year period the net assets of the Company increased from £115 million to £314 million, and dividends increased from 1.90p per share (with the subdivision of shares in February 2022 taken into account) to 4.35p per share, if approved by shareholders.



Sources: Morningstar Direct and Refinitiv Datastream

Directors' Remuneration Report (continued)

Annual change in directors' remuneration

The table below sets out the annual percentage change in fees over the previous three years for each director who has served for at least two financial years.

Director	Year to 30 September 2022 %	Year to 30 September 2021 %	Year to 30 September 2020 %
Vicky Hastings	–	46.6[1]	3.7
Eliza Dungworth	–	10.3[2]	–
Robin Archibald	2.9	14.6[3]	–
Stephen Macklow-Smith[4]	n/a	n/a	n/a
Marco Bianconi[5]	n/a	n/a	n/a

1 This increase reflects the appointment as Chair of the Board on 25 September 2020 and increase in fees for all directors from 1 October 2020
2 Reflecting the increase in fees for all directors from 1 October 2020
3 Reflecting the increase in fees for all directors from 1 October 2020 and appointment as Senior Independent Director on 10 February 2021
4 Appointed director 9 July 2021
5 Appointed director 1 June 2022

Relative importance of spend on pay

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

	Year to 30 September 2022 £	Year to 30 September 2021 £	Change £	Change %
Total remuneration	137,219	104,823	32,396	30.9
Ordinary dividends paid	7,581,575	6,692,746	888,829	13.3

Note: Increases will fluctuate due to the number of directors in office in any one year

Statement of voting at annual general meeting

At the Company's annual general meeting held on 27 January 2022, shareholders approved the Directors' Remuneration Report in respect of the year ended 30 September 2021. Shareholders last approved the Remuneration Policy at the AGM on 28 January 2021. The following votes were received on the two resolutions, both of which were held on a poll:

Resolution	For (including discretionary)	% of votes (excluding votes withheld)	Against	% of votes (excluding votes withheld)	Withheld
Remuneration policy	10,820,415	99.94	6,141	0.06	8,496
Remuneration report	11,255,060	99.83	19,595	0.17	12,396

On behalf of the Board

Vicky Hastings
Chair
7 December 2022

Directors' Report

The directors present their report and the audited financial statements of the Company for the year ended 30 September 2022. The Company is a public limited company registered and domiciled in England & Wales with company number 427958. It was active throughout the year.

The Corporate Governance Report and Audit and Risk Committee Report on pages 31-42, Statement of Directors' Responsibilities on page 48 and the additional information on pages 76-80 onwards form part of the Directors' Report.

Share capital

A subdivision of the Company's shares took place on 7 February 2022, splitting each ordinary 50p share into 10 ordinary shares of 5p each. All comparative figures referencing events and data before that date have been restated to reflect this subdivision.

As at 30 September 2022, and at the date of this report, the Company's paid-up share capital comprised 216,389,910 ordinary shares of 5p each, of which 3,476,788 shares were held in treasury. Holders of the Company's shares are entitled to one vote for every share. Shares in treasury do not carry voting rights.

At the AGM held on 27 January 2022, shareholders authorised the directors to allot up to 21,356,540 new shares. Shareholders further authorised directors to repurchase up to 32,013,465 shares where the Company's shares trade at a discount to net asset value.

During the year to 30 September 2022, the Company repurchased 912,658 shares to hold in treasury at a total cost including expenses of £1,324,000. Since 1 October 2022 and to the date of this Report, the Company bought back 145,000 shares to be held in treasury, constituting 0.1% of issued share capital, with a total cost of £182,000. The authority to allot and repurchase shares will expire at the earlier of 15 months from the date of the passing of the resolution and the next AGM.

There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no restrictions on voting, no agreements between holders of securities regarding their transfer known to the Company and no agreement to which the Company is party that affects its control following a takeover bid. Where 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 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 shares.

Holdings in the Company's shares

Declarations of interests in the voting rights of the Company as at 30 September 2022 in accordance with the Disclosure Guidance and Transparency Rules were as follows:

	% of voting rights
1607 Capital Partners LLC	12.1
City of London Investment Management Company Limited	10.0
Investec Wealth & Investment	8.0
Rathbone Investment Management	3.3

Since the year end, Global Investments Holdings, a subsidiary of Allspring Global Investment Holdings, LLC, notified the Company of their holding of 5.0% of voting rights at 21 November 2022.

Related-party transactions

The Company's transactions with related parties in the year were with the directors and the Manager. There were no material transactions between the Company and its directors during the year other than amounts paid to them in respect of remuneration and expenses, for which there were no outstanding amounts payable at the year end. Directors' shareholdings in the Company are disclosed on page 44.

In respect of the provision of services by Janus Henderson, other than fees payable by the Company in the ordinary course of business and the facilitation of marketing activities with third parties, there were no material transactions with the Manager affecting the financial position of the Company during the year under review. More details on transactions with the Manager, including amounts outstanding at the year end, are given in note 23 on page 73.

Greenhouse gas emissions

The Company's environmental statements are set out in the Strategic Report on page 29.

Other information

Each director in office at the date of approval of this report confirms that to the best of their knowledge and belief, there is no information relevant to the preparation of the Annual Report of which the Company's auditor is unaware and that they have taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Listing Rule 9.8.4 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 disclosures to be made in this regard. Information is detailed in the Strategic Report regarding recommended dividends, future developments and financial risks.

Directors' Report (continued)

Annual general meeting ("AGM")

The AGM will be held at 2.30 pm on Thursday, 26 January 2023 at the Company's registered office. The Board invites shareholders to attend the meeting at the registered office at 201 Bishopsgate, London, EC2M 3AE, or via Zoom webinar connection if preferable. Webinar registration is at **janushenderson.com/trustslive**.

The Fund Managers will present their review of the year and thoughts on the future and will be pleased to answer your questions, as will the Board. As is our normal practice, there will be live voting for those physically present at the AGM. We cannot currently offer voting by videoconference, and we therefore encourage all shareholders, particularly those who cannot attend physically, to submit their votes by proxy, ahead of the deadline of 24 January 2023.

Shareholders with shares held in their own names will receive a form of proxy enabling them to vote if they are unable to attend the AGM. Shareholders holding shares on share dealing platforms should contact their platform directly to vote their shares at the AGM. Instructions on attending the meeting and details of resolutions to be put to the AGM are included in the Notice of AGM sent with this Annual Report and are available at **www.hendersoneuropeanfocus.com**. If shareholders would like to submit any questions in advance of the AGM, they are welcome to send these to the corporate secretary at **itsecretariat@janushenderson.com**.

Reappointment of auditor

Ernst & Young LLP has indicated their willingness to continue in office as auditor to the Company, and a resolution proposing their reappointment and authorising the directors to determine their remuneration for the ensuing year will be put to shareholders at the AGM. Further information about their reappointment can be found in the Audit and Risk Committee Report on pages 40-41.

Voting recommendation

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

Approval

This Directors' Report has been approved by the Board.

By order of the Board

Janus Henderson Secretarial Services UK Limited
Corporate Secretary
7 December 2022

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. The directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102, the financial reporting standard applicable in the United Kingdom and Republic of Ireland and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Statement under DTR 4.1.12

Each director, as listed on page 31, confirms that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 and applicable law) give a true and fair view of the assets, liabilities, financial position and return of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Vicky Hastings
Chair of the Board
7 December 2022

Financial Statements

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

Opinion

We have audited the financial statements of Henderson European Focus Trust plc (the "Company") for the year ended 30 September 2022 which comprise Income Statement, the Statement of Changes in Equity, Statement of Financial Position, Cash Flow Statement, and the related notes 1 to 24 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 September 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 principal risks, going concern and viability statement

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 Company 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 at least 12 months from the date the financial statements were 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 reviewed the factors and assumptions, including the impact of geopolitical factors including the Ukraine conflict and rising energy costs, 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. 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.

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.

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

Overview of our audit approach

Key audit matters	• The risk of incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement. • The risk of incorrect valuation or defective title to the investment portfolio including unlisted investments.
Materiality	• Overall materiality of £3.14m which represents 1% of Net Assets as at 30 September 2022.

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.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Company has determined that the impact of climate change could affect the Company's investments and their valuations and potentially shareholder returns. This is explained on page 22 in the principal risks section, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the financial statements as set out in note 1 (a) and conclusion that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing as required by FRS102. We also challenged the directors' considerations of climate change in their assessment of viability and associated disclosures.

Key audit matters

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

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
The risk of incomplete or inaccurate revenue recognition, including incorrect classification of special dividends as revenue or capital items in the Income Statement. *Refer to the Audit and Risk Committee (pages 39 to 42); Accounting policies (pages 61 to 63); and Note 3 of the Financial Statements (page 63).* Investment income is received primarily in the form of dividends from European quoted equities. The total income from investments for the year was £12.5m (2021: £9.1m). The investment income receivable by the Company during the year directly affects the Company's ability to pay a dividend to shareholders. There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or apply appropriate accounting treatment. Special dividends represent dividends paid by investee companies that are additional to the normal or expected dividend cycle for that company. In accordance with the Statement of Recommended Practice "Financial Statement of Investment Trust Companies and Venture Capital Trusts" ('SORP'), special dividends can be included within either the revenue or capital columns of the Income Statement, depending on the commercial circumstances behind payments. The directors are required to exercise judgment in determining whether income receivable in the form of special dividends should classified as 'revenue' or 'capital'. As such, there is a manual and judgmental element in classifying special dividends between revenue and capital.	**We have performed the following procedures:** • Obtained an understanding of the Manager's and BNP Paribas's ("the Administrator") processes and controls for recording investment income, including the review of special dividend classifications by the Board. • Reviewed a sample of dividends received from the Company's income report and agreed key details (dividend rate, ex-date, payment date and withholding tax rate) to an independent source, agreed holdings at ex-date to the transactions report and agreed proceeds net of withholding taxes to bank statements. • The Company received six special dividends classed as revenue. We tested all six dividends and confirmed that the classification was consistent with the underlying nature of the payment. • Agreed a sample of dividends paid on investments held during the year from an independent pricing source to the income report. • For all accrued dividends, agreed key details (dividend rate, ex-date, payment date) to an independent source, agreed the holding at ex-date to the transactions report and where possible, agreed proceeds net of withholding taxes to post year-end bank statements. • Reviewed the income report for items above our testing threshold and confirmed whether these items were special, or otherwise. • Tested the completeness of special dividends by comparing, for all investments, the special dividends declared by that portfolio company during the year to the list of special dividends reported by the Company.	**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, including incorrect classification of special dividends as revenue or capital items in the Income Statement.

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation or defective title to the investment portfolio including unlisted investments. *Refer to the Audit and Risk Committee (pages 39 to 42); Accounting policies (pages 61 to 63); and Note 11 of the Financial Statements (page 66).* The valuation of the portfolio at 30 September 2022 was £320.3m (2021: £382.2m). In accordance with FRS 102, 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 have performed the following procedures:** • Obtained an understanding of the Administrator's processes surrounding the investment portfolio by reviewing their internal control reports and by performing our walkthrough procedures. • Agreed the prices of 100% of the investment portfolio to an independent pricing vendor, which is different to the vendor used by the Company. • Recalculated 100% of the value of quoted investments in foreign currencies to verify the accuracy of the corresponding Sterling balances based upon exchange rates from an external source. • Agreed the Company's holdings as at 30 September 2022 to independently obtained Custodian and Depositary reports (both HSBC Bank plc). • Reviewed the controls reports for exceptions that would impact the accuracy of the Depositary or Custodian records.	**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.

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 £3.1 million (2021: £3.1 million), which is 1% (2021: 1%) of net assets as at 30 September 2022. We believe that materiality calculation based on a proportion of net assets provides us with 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.

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% (2021: 75%) of our planning materiality, namely £2.4m (2021: £2.8m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company, we have also applied a separate testing threshold of £0.6m (2021: £0.4m) for the revenue column of the Income Statement being 5% of revenue profit before tax.

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

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 £0.16m (2021: £0.19m), 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, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information 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 this gives rise to 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' reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 48, 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 management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Accounting Standards, the Companies Act 2006, the Listing Rules, UK Corporate Governance Code, the Association of Investment Companies' Code and Statement of Recommended Practice, Section 1158 of the Corporation Tax Act 2010 and The Companies (Miscellaneous Reporting) Regulations 2018.
- We understood how the Company is complying with those frameworks by through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete or inaccurate income recognition through the incorrect classification of special dividends in the Income Statement. 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.

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

Other matters we are required to address

Following the recommendation from the audit committee we were appointed by the Company on 25 July 2014 to audit the financial statements for the year ending 30 September 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 9 years, covering the years ending 30 September 2014 to 30 September 2022.

- 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.

Mike Gaylor (Senior statutory auditor)
For and on behalf of Ernst & Young LLP (Statutory auditor)
London
7 December 2022

Income Statement

Notes		Year ended 30 September 2022 Revenue return £'000	Year ended 30 September 2022 Capital return £'000	Year ended 30 September 2022 Total return £'000	Year ended 30 September 2021 Revenue return £'000	Year ended 30 September 2021 Capital return £'000	Year ended 30 September 2021 Total return £'000
2	(Losses)/gains on investments held at fair value through profit or loss	–	(55,148)	(55,148)	–	63,777	63,777
	Exchange (losses)/gains on currency transactions	–	(1,142)	(1,142)	–	154	154
3	Income from investments	12,529	–	12,529	9,091	–	9,091
4	Other income	25	–	25	–	–	–
	Gross revenue and capital (losses)/gains	**12,554**	**(56,290)**	**(43,736)**	**9,091**	**63,931**	**73,022**
5	Management fee	(548)	(1,642)	(2,190)	(564)	(1,691)	(2,255)
6	Other fees and expenses	(561)	–	(561)	(572)	–	(572)
	Net return before finance costs and taxation	**11,445**	**(57,932)**	**(46,487)**	**7,955**	**62,240**	**70,195**
7	Finance costs	38	(272)	(234)	(51)	(126)	(177)
	Net return before taxation	**11,483**	**(58,204)**	**(46,721)**	**7,904**	**62,114**	**70,018**
8	Taxation on net return	(570)	(137)	(707)	(827)	(9)	(836)
	Net return after taxation	**10,913**	**(58,341)**	**(47,428)**	**7,077**	**62,105**	**69,182**
9	Return per ordinary share*	5.11p	(27.32p)	(22.21p)	3.31p	29.05p	32.36p

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

* Comparative figures for the period ended 30 September 2021 have been restated due to the subdivision of each ordinary share of 50p into ten ordinary shares of 5p each on 7 February 2022

The notes on pages 61-74 form part of these financial statements

Statement of Changes in Equity

Notes	Year ended 30 September 2022	Called-up share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Other reserves £'000	Total £'000
	At 30 September 2021	10,819	41,995	210,819	10,492	96,611	370,736
	Net return after taxation	–	–	(58,341)	10,913	–	(47,428)
	Buyback of ordinary shares for treasury	–	–	(1,324)	–	–	(1,324)
10	Ordinary dividends paid	–	–	–	(7,565)	–	(7,565)
	At 30 September 2022	**10,819**	**41,995**	**151,154**	**13,840**	**96,611**	**314,419**

Notes	Year ended 30 September 2021	Called-up share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Other reserves £'000	Total £'000
	At 30 September 2020	10,819	41,995	148,714	10,027	96,611	308,166
	Net return after taxation	–	–	62,105	7,077	–	69,182
10	Ordinary dividends paid	–	–	–	(6,612)	–	(6,612)
	At 30 September 2021	**10,819**	**41,995**	**210,819**	**10,492**	**96,611**	**370,736**

The notes on pages 61-74 form part of these financial statements

Statement of Financial Position

Notes		At 30 September 2022 £'000	At 30 September 2021 £'000
	Fixed assets		
11	Investments held at fair value through profit or loss	320,289	382,205
	Current assets		
12	Debtors	7,355	3,145
	Cash at bank	21,272	199
		28,627	3,344
13	**Creditors:** amounts falling due within one year	(3,949)	(14,813)
	Net current assets/(liabilities)	**24,678**	**(11,469)**
	Total assets less current liabilities	**344,967**	**370,736**
14	**Creditors:** amounts falling due after one year	**(30,548)**	**–**
	Net assets	**314,419**	**370,736**
	Capital and reserves		
16	Called-up share capital	10,819	10,819
17	Share premium account	41,995	41,995
18	Capital reserve	151,154	210,819
19	Revenue reserve	13,840	10,492
20	Other reserves	96,611	96,611
	Shareholders' funds	**314,419**	**370,736**
21	Net asset value per ordinary share*	147.67p	173.38p

* Comparative figures for the period ended 30 September 2021 have been restated due to the subdivision of each ordinary share of 50p into ten ordinary shares of 5p each on 7 February 2022

These financial statements were approved and authorised for issue by the Board of Directors on 7 December 2022 and were signed on its behalf by:

Vicky Hastings
Chair of the Board

The notes on pages 61-74 form part of these financial statements

Cash Flow Statement

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Cash flows from operating activities		
Net return before taxation	(46,721)	70,018
Add back: finance costs	234	177
Losses/(gains) on investments held at fair value through profit or loss	55,148	(63,777)
Losses/(gains) on foreign exchange	1,142	(154)
Taxation paid	(780)	(1,283)
Increase in debtors	(87)	(78)
Decrease in creditors	(144)	(214)
Net cash inflow from operating activities[1]	**8,792**	**4,689**
Cash flows from investing activities		
Sales of investments held at fair value through profit or loss	277,186	386,912
Purchases of investments held at fair value through profit or loss	(273,147)	(394,133)
Net cash inflow/(outflow) from investing activities	**4,039**	**(7,221)**
Cash flows from financing activities		
Buyback of ordinary shares for treasury	(1,324)	–
Equity dividends paid (net of refund of unclaimed dividends)	(7,565)	(6,612)
Repayment of bank overdraft	(10,558)	(24,939)
Issue of unsecured loan notes	29,275	–
Costs relating to issue of unsecured loan notes	(173)	–
Interest paid	(271)	(217)
Net cash inflow/(outflow) from financing activities	**9,384**	**(31,768)**
Net increase/(decrease) in cash and equivalents	22,215	(34,300)
Cash and cash equivalents at beginning of period	199	34,345
(Losses)/gains on foreign exchange	(1,142)	154
Cash and cash equivalents at end of period	**21,272**	**199**
Comprising:		
Cash at bank	**21,272**	**199**

1 Cash inflow from dividends was £11,266,000 (2021: £8,182,000) and cash inflow from interest was £25,000 (2021: £nil)

The notes on pages 61-74 form part of these financial statements

Notes to the Financial Statements

1 Accounting policies

(a) Basis of preparation

The Company is a registered investment company as defined in section 833 of the Companies Act 2006 and is incorporated in the United Kingdom. It operates in the United Kingdom and is registered at the address on page 80.

The financial statements have been prepared in accordance with the Companies Act 2006, FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in April 2021.

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

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

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

The directors do not believe that any accounting judgements or estimates have been applied to this set of financial statements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. In line with UK GAAP, the fair values of investments are used, whereby quoted prices are used to value the investments in active markets and thereby reflect participants' views of climate change risk.

(b) Going concern

The assets of the Company consist of securities that are readily realisable and, accordingly, the directors believe that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of these financial statements. Having assessed these factors and the principal risks, as well as considering the specific risks related to the invasion of Ukraine by Russia and other current macroeconomic factors, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

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

Investment purchases are accounted for and initially recognised at the trade date of the acquisition. All investments are recognised upon initial recognition as held at fair value through profit or loss. Sales of investments are accounted for at the trade date of the disposal. Proceeds are measured at fair value, which are regarded as the proceeds of sale less any transaction costs. The fair value of the investments is based on their quoted bid price at the Statement of Financial Position date, without deduction of the estimated future selling costs.

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

(d) Foreign currency

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

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

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

(e) Income

Dividends receivable from equity shares are taken to the revenue return on an ex-dividend basis except where, in the opinion of directors, the dividend is capital in nature in which case it is taken to the capital return. The ordinary element of scrip dividends received in lieu of cash dividends is recognised as revenue. Any enhancement above the cash dividend is treated as capital.

Bank interest is accounted for on an accruals basis.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

(f) Management and administrative expenses and finance costs

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

(g) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the applicable rate of corporation tax for the accounting period.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Income Statement is the "marginal basis". Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Income Statement, then no tax relief is transferred to the capital return column.

Deferred taxation is provided on all timing differences that have originated but not reversed by the Statement of Financial Position date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. Any liability to deferred tax is provided at the tax rates expected to apply based on laws that have been enacted or substantially enacted at the Statement of Financial Position date. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

(h) Borrowings

Interest bearing bank loans, overdrafts and unsecured loan notes are recorded initially at fair value, being the proceeds received, less direct issue costs. They are subsequently remeasured at amortised cost. Amortised cost is calculated by taking into account any costs that are an integral part of the effective interest rate. Such costs, including interest payable, premiums on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest rate method.

(i) Dividends payable to shareholders

Dividends payable to shareholders are recognised in the financial statements when they are paid, or in the case of final dividends, when they are approved by shareholders. Dividends are dealt with in the Statement of Changes in Equity.

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

The proceeds from issuing ordinary shares less issue costs are taken to equity and the costs of repurchasing ordinary shares, including related stamp duty and transaction costs, are taken directly to equity and reported through the Statement of Changes in Equity, with the cost of repurchase being charged to a capital distributable reserve. Share issues and repurchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of called-up share capital and into the capital redemption reserve, in accordance with section 733 of the Companies Act 2006. Where shares are repurchased and held in treasury, the transfer to the capital redemption reserve is made if and when such shares are subsequently cancelled.

(k) Capital and reserves

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

The share premium account represents the excess received (subsequent to 11 July 2007) where treasury shares are sold for more than the Company paid to purchase the shares placed in treasury and the excess over the nominal value for new ordinary shares issued, less the costs of issue.

The capital reserves are split into two components, the capital reserve arising on investments sold and the capital reserve arising on investments held. The following analyses what is accounted for in each of these components.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

(k) Capital and reserves (continued)

Capital reserve arising on investments sold

The following are accounted for in this reserve:

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

Capital reserve arising on investments held

The following are accounted for in this reserve:

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

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

Other reserves comprise the following:

- The special distributable reserve was created on 11 July 2007 following the cancellation of the share premium account and the capital redemption reserve and is available to fund market purchases and the subsequent cancellation of own shares.
- The merger reserve represents the premium over the nominal value of ordinary shares issued in March 1997 in connection with the acquisition of The German Investment Trust plc.
- The capital redemption reserve represents the nominal value of ordinary shares that have been repurchased and cancelled.

(l) Distributable reserves

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

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

	2022 £'000	2021 £'000
(Losses)/gains on the sale of investments based on historical cost	(2,064)	50,158
Revaluation gains recognised in previous years	(29,841)	(25,114)
(Losses)/gains on investments sold in the year based on carrying value at previous Statement of Financial Position date*	**(31,905)**	**25,044**
Revaluation (losses)/gains on investments held at 30 September	(23,243)	38,733
(Losses)/gains on investments held at fair value through profit or loss	**(55,148)**	**63,777**

* Also includes special capital dividend of £2,764,000 (2021: £nil)

3 Income from investments

	2022 £'000	2021 £'000
Listed investments:		
Overseas dividends	12,181	9,091
UK dividends	348	–
	12,529	**9,091**

Notes to the Financial Statements (continued)

4 Other income

	2022 £'000	2021 £'000
Deposit interest	25	–
	25	**–**

5 Management

	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
Management fee	548	1,642	2,190	564	1,691	2,255
	548	**1,642**	**2,190**	**564**	**1,691**	**2,255**

A description of the basis for calculating the management fee is given in the Business Model on page 20.

Management fees are allocated 25% to revenue and 75% to capital in the Income Statement.

6 Other fees and expenses

	2022 £'000	2021 £'000
Revenue:		
Directors' fees and taxable benefits (see Directors' Remuneration Report on page 44)	137	105
Fees payable to the Company's auditors – for audit services	45	48
AIC subscriptions	21	18
Directors' and officers' liability insurance	12	9
Listing fees	32	29
Depositary charges	32	47
Custody charges	69	71
Printing and postage	9	30
Other expenses payable to the Manager	64	53
Registrar's fees	49	44
Legal and professional fees	63	86
Other expenses	28	32
	561	**572**

7 Finance costs

	2022 Revenue return £'000	2022 Capital return £'000	2022 Total return £'000	2021 Revenue return £'000	2021 Capital return £'000	2021 Total return £'000
On bank overdrafts payable within one year	12	35	47	42	126	168
On unsecured loan notes – after 5 years[1]	79	237	316	–	–	–
Interest payable to HMRC due to refund of French withholding tax	(129)	–	(129)	9	–	9
	(38)	**272**	**234**	**51**	**126**	**177**

1 Includes amortisation of issue costs and may therefore vary from year to year

Interest payable is allocated 25% to revenue and 75% to capital in the Income Statement. Interest rates are set at the time drawings are made based on the bank's base rate, plus a margin of 1.25% per annum.

In January 2022, the Company issued EUR 35,000,000 of unsecured loan notes, with interest payable on EUR 25,000,000 at 1.53% and interest payable on EUR 10,000,000 at 1.66%.

During the year to 30 September 2017 the Company received a refund of French withholding tax relating to tax suffered in 2007 and 2008. A provision was made for potential corporation tax payable and interest payable thereon to HMRC. As explained further in note 8, the settlement of other tax claims has led to this provision no longer being required. The interest payable and corporation tax provision have therefore been removed.

Notes to the Financial Statements (continued)

8 Taxation

(a) Analysis of charge for the year

	Year ended 30 September 2022			Year ended 30 September 2021		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Corporation tax prior year adjustment	(584)	–	(584)	–	–	–
Overseas tax suffered	1,154	137	1,291	827	9	836
Total taxation for the year	**570**	**137**	**707**	**827**	**9**	**836**

(b) Factors affecting the tax charge for the year

	Year ended 30 September 2022			Year ended 30 September 2021		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Return before taxation	**11,483**	**(58,204)**	**(46,721)**	**7,904**	**62,114**	**70,018**
Corporation tax at 19.0% (2021: 19.0%)	2,182	(11,059)	(8,877)	1,502	11,802	13,304
Effects of:						
Non-taxable capital profits	–	10,695	10,695	–	(12,146)	(12,146)
Non-taxable income	(2,375)	–	(2,375)	(1,727)	–	(1,727)
Expenses not deductible for tax purposes	1	–	1	3	–	3
Tax effect of expensed double taxation relief	(5)	–	(5)	–	–	–
Corporation tax prior year adjustment	(584)	–	(584)	–	–	–
Current year expenses not utilised	197	364	561	222	344	566
Overseas tax	1,154	137	1,291	827	9	836
	570	**137**	**707**	**827**	**9**	**836**

The UK corporation tax rate is 19.00% (2021: 19.00%). The tax charge for the year is lower than the corporation tax rate.

The Company filed a claim with HMRC, on the basis of the principles set out in the Franked Investment Income Group Litigation Order ("FII/GLO") claim, for corporation tax unduly paid in respect of periods prior to 1 July 2009. The claim was filed on the basis that the relevant UK tax legislation was in breach of EU law for these periods. This claim has been successfully agreed with HMRC and has been accounted for in the current year.

Additionally, due to the successful FII/GLO, claim the provision for corporation tax previously provided and the associated interest thereon (relating to the refund of French withholding tax received in 2017) has been removed during the year.

The total of the claim and the write-back of tax previously accrued for is £584,000.

No provision for deferred tax has been made in the current or prior accounting year. At the period end, after offset against income taxable on receipt, there is a potential deferred tax asset of £7,597,000 (2021: £6,858,000) in relation to surplus management expenses. It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised.

9 Return per ordinary share

The return per ordinary share is based on the net loss attributable to the ordinary shares of £47,428,000 (2021: net return of £69,182,000) and on 213,530,236 ordinary shares (2021: 213,825,780) being the weighted average number of ordinary shares in issue during the year. The return per ordinary share can be further analysed between revenue and capital as below.

	2022 £'000	2021 £'000
Net revenue return	10,913	7,077
Net capital (loss)/return	(58,341)	62,105
Net total (loss)/return	**(47,428)**	**69,182**
Weighted average number of ordinary shares in issue during the year	213,530,236	213,825,780
Revenue return per ordinary share	5.11p	3.31p
Capital return per ordinary share	(27.32p)	29.05p
Total return per ordinary share	**(22.21p)**	**32.36p**

Comparative figures for the period ended 30 September 2021 have been restated due to the subdivision of each ordinary share of 50p into ten ordinary shares of 5p each on 7 February 2022

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

Notes to the Financial Statements (continued)

10 Dividends paid and payable on the ordinary shares

Dividends on ordinary shares	Record date	Payment date	2022 £'000	2021 £'000
Final dividend (2.17p[1]) for the year ended 30 September 2020	8 January 2021	5 February 2021	–	4,640
Interim dividend (0.96p[1]) for the year ended 30 September 2021[1]	4 June 2021	25 June 2021	–	2,053
Final dividend (2.35p[1]) for the year ended 30 September 2021	7 January 2022	4 February 2022	5,019	–
Interim dividend (1.20p) for the year ended 30 September 2022	6 June 2022	27 June 2022	2,563	–
Unclaimed dividends over 12 years old			(17)	(81)
			7,565	**6,612**

The final and special dividends for the year ended 30 September 2022 have not been included as a liability in these financial statements. The total dividend payable in respect of the financial year, which forms the basis of the retention test under section 1158 of the Corporation Tax Act, is set out below.

	2022 £'000	2021 £'000
Revenue available for distribution by way of dividend for the year	10,913	7,077
Interim dividend (1.20p) for the year ended 30 September 2022 (based on 213,565,480 ordinary shares in issue at 1 June 2022)	(2,563)	–
Final dividend (3.15p) for the year ended 30 September 2022 (based on 212,768,122 ordinary shares in issue at 5 December 2022)	(6,702)	–
Special dividend (0.50p) for the year ended 30 September 2022 (based on 212,768,122 ordinary shares in issue at 5 December 2022)	(1,064)	–
Interim dividend (0.96p[1]) for the year ended 30 September 2021 (based on 213,825,780 ordinary shares in issue at 5 June 2020)	–	(2,053)
Final dividend (2.35p[1]) for the year ended 30 September 2021 (based on 213,565,480 ordinary shares in issue at 6 December 2021)	–	(5,019)
Undistributed revenue for section 1158 purposes	**584**	**5**

1 Figures have been restated due to the subdivision of each ordinary share of 50p into ten ordinary shares of 5p each on 7 February 2022

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

11 Investments held at fair value through profit or loss

	2022 £'000	2021 £'000
Valuation at 1 October	382,205	309,882
Investment holding gains at 30 September	(56,871)	(43,252)
Cost at 1 October	**325,334**	**266,630**
Additions at cost	273,392	392,179
Disposals at cost	(282,223)	(333,475)
Cost at 30 September	**316,503**	**325,334**
Investment holding gains at 30 September	3,786	56,871
Valuation at 30 September	**320,289**	**382,205**

The Company received £280,160,000 (2021: £383,633,000) from investments sold in the year. The book cost of these investments when they were purchased was £282,223,000 (2021: £333,475,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of investments.

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

Purchase transaction costs for the year ended 30 September 2022 were £439,000 (2021: £526,000). These comprise mainly stamp duty and commission. Sale transaction costs for the year ended 30 September 2022 were £103,000 (2021: £144,000).

Notes to the Financial Statements (continued)

12 Debtors

	2022 £'000	2021 £'000
Amounts receivable within one year:		
Investments sold awaiting settlement	3,748	774
Accrued income	196	82
Prepaid expenses	6	15
Overseas withholding tax recoverable	3,071	2,229
Other receivables	334	45
	7,355	**3,145**

13 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Amounts payable within one year:		
Investments purchased awaiting settlement	2,663	2,418
Accrued expenses and interest	1,286	1,490
Taxation payable	–	347
Bank overdraft	–	10,558
	3,949	**14,813**

The Company has an uncommitted, secured multi-currency overdraft facility equal to the lesser of £30,000,000 and 10% of custody assets with HSBC Bank plc. Interest is charged at the bank's fluctuating base rate, plus a margin of 1.25% per annum. Borrowings are repayable on demand.

14 Non-current liabilities: amounts falling due after more than one year

	2022 £'000	2021 £'000
Borrowings: Loan notes (unsecured):		
1.53% unsecured loan notes 2047 (Euro)	21,820	–
1.66% unsecured loan notes 2052 (Euro)	8,728	–
	30,548	–

The EUR 25,000,000 1.53% unsecured loan notes 2047 were issued on 31 January 2022 and are redeemable at par on 31 January 2041. They are shown on the balance sheet on the effective interest basis. The unsecured loan notes were issued net of costs totalling £124,000.

The EUR 10,000,000 1.66% unsecured loan notes 2052 were issued on 31 January 2022 and are redeemable at par on 31 January 2052. They are shown on the balance sheet on the effective interest basis. The unsecured loan notes were issued net of costs totalling £50,000.

The issue costs on both series of loan notes will be amortised over the life of the notes.

15 Financial risk management policies and procedures

As an investment trust, the Company invests in equities and other investments for the long term so as to secure its investment objective and policy as stated on page 17. In pursuing its investment objective and policy, the Company is exposed to a variety of financial risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

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

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

Notes to the Financial Statements (continued)

15 Financial risk management policies and procedures (continued)

15.1 Market risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. This market risk comprises market price risk (see note 15.1.1), currency risk (see note 15.1.2) and interest rate risk (see note 15.1.3). The Board reviews and agrees policies for managing these risks. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

15.1.1 Market price risk

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

At 30 September 2022 the fair value of the Company's assets exposed to market price risk was £320,289,000 (2021: £382,205,000). The fair value of the investments in the portfolio is normally their quoted bid price. The market price of investee companies' shares is subject to their performance, supply and demand for the shares and investor sentiment regarding the companies, their industry sectors and the countries in which they operate.

The Company invests in a diversified portfolio of investments. In accordance with the Company's investment objective and policy, the portfolio contains between 35 and 45 stocks, with a maximum single stock weighting of 10% of the net asset value ("NAV") of the portfolio at the time of investment. Stocks weighted at 5% of the portfolio or more are not expected to exceed 50% of NAV in aggregate. The typical minimum stock weight is 1% of NAV at the time of investment. The largest individual stock at the year end represented 5.6% of the value of the portfolio. The Company may use derivative instruments (such as futures and options) for the purpose of efficient portfolio management up to 10% of net assets. As at 30 September 2022 the Company had no exposure to such instruments.

The level of risk relative to the benchmark is increased by over or underweighting industry sectors and, to a lesser extent, country exposures and stock exposures relative to the benchmark, which tends to concentrate risk in those over and underweighted areas. Likewise, adding structural debt adds market price risk to the extent that the Fund Managers take full advantage of that debt to have a net geared portfolio.

To illustrate the Company's sensitivity to market prices, a 10% change to the market value (in sterling terms) of the equity portfolio at 30 September 2022 would generate a corresponding increase or decrease in the NAV per ordinary share of 10.2% or £32.0 million (2021: 10.3% or £38.2 million).

15.1.2 Currency risk

The majority of the Company's assets are denominated in currencies other than sterling so the Company's total return and Statement of Financial Position can be significantly affected by currency fluctuations. No hedging of the currency exposure is currently undertaken. Revenue received in currencies other than sterling is converted into sterling on, or shortly after, the date of receipt. Whilst the Board and the Fund Managers monitor geographical and currency exposure it is not a key determinant of investment decisions. At the year end 83.0% (2021: 103.3%) of the Company's net assets were denominated in currencies other than sterling, the largest proportion being euro, at 57.2% (2021: 68.4%) of net assets.

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

	2022 £'000	2021 £'000
Monetary assets		
Cash and short-term receivables:		
Norwegian krone	2,717	39
Euro	2,411	1,470
Swiss franc	835	1,575
Swedish krona	740	24
Danish krone	279	220
US dollar	45	–

Notes to the Financial Statements (continued)

15 Financial risk management policies and procedures (continued)

15.1.2 Currency risk (continued)

	2022 £'000	2021 £'000
Monetary liabilities		
Bank overdraft and short-term payables:		
Euro	(892)	(1,696)
Swiss franc	(1,851)	(721)
Long term payables:		
Euro	(30,548)	–
Non-monetary assets		
Non-current asset investments held at fair value:		
Euro	208,859	267,340
Swiss franc	36,410	49,466
Danish krone	20,724	21,862
Swedish krona	12,979	32,021
Norwegian krone	8,339	11,516
Total	**261,047**	**383,116**

The level of assets exposed to currency risk decreased by approximately 31.9% during the year. The relative levels of exposure to currencies at the beginning and end of the year were broadly representative of levels through the period. As can be seen from the table above, the most significant currency exposures are to the euro and Swiss francs.

The following table illustrates the Company's sensitivity to movements in exchange rates relative to sterling. The sensitivity analysis is based on the Company's non-sterling monetary assets and investments held at the Statement of Financial Position date and assumes a 10% appreciation or depreciation of sterling against each of the currencies to which the Company is exposed, with all other variables held constant. If sterling depreciated against the currencies shown, the net assets and revenue would have increased by these amounts. If sterling appreciated against the currencies shown, the net assets and revenue would have decreased by these amounts.

	2022		2021	
	Net assets £'000	Revenue £'000	Net assets £'000	Revenue £'000
Euro	16,348	815	23,055	519
Swiss francs	3,218	136	4,575	170
Other currencies	4,166	144	7,199	129
	23,732	**1,095**	**34,829**	**818**

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

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

15.1.3 Interest Rate Risk

The Company finances part of its activities through the use of a secured uncommitted multi-currency overdraft facility provided by HSBC Bank plc equal to the lesser of £30,000,000 and 10% of net assets. Interest rates are set at the time drawings are made based on the bank's base rate, plus a margin of 1.25% per annum. During the year, the maximum drawn under the facility was £12,251,000 (2021: £15,094,000) and the weighted average interest rate for the period in which the Company utilised the overdraft was 1.41% (2021: 1.35%). No hedging of the interest rate is undertaken. At 30 September 2022 there were drawings of £nil outstanding, of which £nil were in foreign currencies (2021: £10,558,000 of which £nil was in foreign currencies). Interest is paid on the cash and short-term deposits. Overdraft drawings and deposits are rarely fixed for periods of more than one week.

To illustrate the potential sensitivity to changes in interest rates, if £30 million was drawn from the uncommitted multi-currency overdraft facility (based on the maximum overdraft limit set by the Board), a change of 1.0% in the rate of interest charged would, over the course of a year, amount to £300,000 (ignoring any exchange rate movements), less than 0.1% of year end net assets.

In January 2022, the Company issued EUR 35,000,000 of unsecured loan notes, with interest payable on EUR 25,000,000 at 1.53% and interest payable on EUR 10,000,000 at 1.66%.

Notes to the Financial Statements (continued)

15 Financial risk management policies and procedures (continued)

15.2 Credit risk

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

At 30 September 2022, the maximum exposure to credit risk was £21,272,000 (2021: £199,000) comprising:

	2022 £'000	2021 £'000
Cash at bank	21,272	199
Debtors (see note 12)	7,355	3,145

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

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

15.3 Liquidity risk

Liquidity risk is the possibility of the Company failing to realise sufficient assets to meet its financial obligations. The Company minimises this risk by having a bias to larger capitalised companies, by investing in listed companies and by ensuring that it has adequate cash and credit facilities in place to meet its obligations. Exposure to debtors is primarily exposure to outstanding trades and overseas withholding tax recoverable. Deposits are rarely fixed for terms in excess of one week and are limited to 10% of net assets with any one bank or institution. Cash requirements are monitored on a regular basis by the Manager.

At 30 September 2022, the fair value of financial current liabilities was £3,949,000 and long-term liabilities of £30,548,000 (2021: £14,813,000 and £nil).

The table below analyses the Company's contractual liabilities.

	2022			2021		
	Within one year £'000	**Between one and five years £'000**	**More than five years £'000**	Within one year £'000	Between one and five years £'000	More than five years £'000
Unsecured loan notes[1]	471	1,886	39,989	–	–	–
Bank overdrafts and interest	–	–	–	10,558	–	–
Other creditors and accruals	3,949	–	–	4,255	–	–
	4,420	**1,886**	**39,989**	14,813	–	–

1 The above figures show interest payable over the remaining term of the secured notes. The figures in the "more than 5 years" column also include the capital to be repaid. Details of repayment are set out on page 67

The year end amounts are not representative of the exposure to interest rates either during the year just ended nor for the year ahead, since the level of borrowings and/or cash held will be affected by the strategy being followed in response to the Board's and Fund Managers' perception of market prospects and the investment opportunities available at any particular time.

Notes to the Financial Statements (continued)

15 Financial risk management policies and procedures (continued)

15.4 Fair value hierarchy

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

- Level 1 – the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 – inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss:				
Quoted equities	320,289	–	–	320,289
Total	**320,289**	**–**	**–**	**320,289**

2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss:				
Quoted equities	382,205	–	–	382,205
Total	**382,205**	**–**	**–**	**382,205**

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

In order to comply with fair value accounting disclosures only, the fair value of the unsecured loan notes has been estimated to be £20,774,000 (2021: £nil) and is categorised as Level 3 in the fair value hierarchy. However, for the purpose of the daily NAV announcements, the unsecured loan notes are valued at par in the NAV because it is not traded and the directors expect it to be held to maturity and, accordingly, the directors have assessed that this is the most appropriate value to be applied for this purpose.

The estimate of the fair value of each unsecured loan note is calculated by aggregating the discounted value of future cash flows, being the contractual interest payments and the repayment of capital at maturity as each note falls due. The discount rate used for each note is based on the yield of the reference instrument that was used in the pricing of the loan note plus the same credit spread applied at the issue. The net assets including the loan notes at fair value would have been £324,193,000 at 30 September 2022 (compared to £314,419,000 with the loan notes at par value), equivalent to a net asset value per ordinary share of 152.27p (compared to 147.67p with the loan notes at par value).

15.5 Capital management policies and procedures

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

The Company's total capital at 30 September 2022 was £314,419,000 (2021: £370,736,000) comprising equity share capital of £10,819,000 (2021: £10,819,000) and reserves of £303,600,000 (2021: £359,917,000).

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

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

Notes to the Financial Statements (continued)

15 Financial risk management policies and procedures (continued)

15.5 Capital management policies and procedures (continued)

The Company is subject to several externally imposed capital requirements:

- borrowings under the overdraft facility are not to exceed the lesser of £30 million and 10% of custody assets;
- as a public company, the Company has a minimum share capital of £50,000;
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet the capital restriction tests imposed on investment companies by company law; and
- the terms of the secured notes include financial covenants in relation to the level of borrowings.

The Company has complied with these requirements.

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

16 Called-up share capital

	Number of shares entitled to dividend	Shares held in treasury	Total number of shares	Nominal value of shares £'000
At 30 September 2021 and 30 September 2020	21,382,578	256,413	21,638,991	10,819
Buy back in to treasury of 26,030 shares	(26,030)	26,030	–	–
	21,356,548	**282,443**	**21,638,991**	**10,819**
Issue of new ordinary shares following 10 for 1 stock split	192,208,932	2,541,987	194,750,919	–
Buy back in to treasury of 652,358 shares	(652,358)	652,358	–	–
At 30 September 2022	**212,913,122**	**3,476,788**	**216,389,910**	**10,819**

During the year 26,030 shares were bought back into treasury prior to the 10 for 1 share split and 652,358 (2021: nil), following the 10 for 1 share split for total costs including expenses of £1,324,000 (2021: £nil). The ordinary shares held in treasury have no voting rights and are not entitled to dividends.

17 Share premium account

	2022 £'000	2021 £'000
Balance brought forward	41,995	41,995
Balance at 30 September	**41,995**	**41,995**

18 Capital reserve

	2022			2021		
	Capital reserve arising on investments sold £'000	**Capital reserve arising on investments held £'000**	**Capital reserves total £'000**	Capital reserve arising on investments sold £'000	Capital reserve arising on investments held £'000	Capital reserves total £'000
Balance brought forward	154,035	56,784	210,819	105,541	43,173	148,714
Transfer on disposal of investments	29,841	(29,841)	–	25,114	(25,114)	–
Movement in fair value of investments	(31,905)	(23,243)	(55,148)	25,044	38,733	63,777
Exchange (losses)/gains on currency transactions	(1,142)	–	(1,142)	162	–	162
Forward foreign currency contracts losses	–	–	–	–	(8)	(8)
Management fee allocated to capital	(1,642)	–	(1,642)	(1,691)	–	(1,691)
Interest payable allocated to capital	(272)	–	(272)	(126)	–	(126)
Buyback of ordinary shares for treasury	(1,324)	–	(1,324)	–	–	–
Irrecoverable withholding tax deducted at source	(137)	–	(137)	(9)	–	(9)
Balance at 30 September	**147,454**	**3,700**	**151,154**	**154,035**	**56,784**	**210,819**

Notes to the Financial Statements (continued)

19 Revenue reserve

	2022 £'000	2021 £'000
Balance brought forward	10,492	10,027
Net revenue return for the year after tax	10,913	7,077
Dividends paid (note 10)	(7,565)	(6,612)
Balance at 30 September	**13,840**	**10,492**

20 Other reserves

	2022				2021			
	Special distributable reserve £'000	Merger reserve £'000	Capital redemption reserve £'000	Total £'000	Special distributable reserve £'000	Merger reserve £'000	Capital redemption reserve £'000	Total £'000
Balance brought forward	25,846	61,344	9,421	96,611	25,846	61,344	9,421	96,611
Balance at 30 September	**25,846**	**61,344**	**9,421**	**96,611**	**25,846**	**61,344**	**9,421**	**96,611**

21 Net asset value per share

The NAV per ordinary share is based on the net assets attributable to the ordinary shares of £314,419,000 (2021: £370,736,000) and on 212,913,122 (2021: 213,825,780) shares in issue on 30 September 2022, excluding treasury shares. The aforementioned comparative figure for the year ended 30 September 2021 has been restated due to the subdivision of each ordinary share of 50p into ten ordinary shares of 5p each on 7 February 2022.

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

	2022 £'000	2021 £'000
Total net assets at start of year	370,736	308,166
Net return for the year after tax	(47,428)	69,182
Buyback of shares for treasury	(1,324)	–
Dividends paid on ordinary shares	(7,565)	(6,612)
Net assets attributable to the ordinary shares at 30 September	**314,419**	**370,736**

22 Capital commitments and contingent liabilities

There were no capital commitments or contingent liabilities as at 30 September 2022 (2021: nil).

23 Transactions with the Manager and related parties

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

Details of the fee arrangements for these services are given on page 20. The management fees payable to Janus Henderson under the agreement in respect of the year ended 30 September 2022 were £2,190,000 (2021: £2,255,000). The amount outstanding at 30 September 2022 was £1,028,000 payable to Janus Henderson (2021: £1,170,000).

In addition to the above services, Janus Henderson facilitates marketing activities with third parties which are recharged to the Company. Total amounts paid to Janus Henderson in respect of sales and marketing, including VAT, for the period ended 30 September 2022 amounted to £64,000 (2021: £53,000).

Details of fees paid to directors are included in the Directors' Remuneration Report on page 44 and in note 6 on page 64.

Notes to the Financial Statements (continued)

24 Changes in financial liabilities

The following table shows the movements during the period of net debt in the statement of financial position:

	At 1 October 2021 £'000	Cash flows £'000	Non-cash changes Amortisation of issue costs £'000	Non-cash changes Foreign exchange movement £'000	At 30 September 2022 £'000
Financing activities					
Bank overdraft	(10,558)	10,558	–	–	–
Unsecured loan notes	–	(29,102)	(4)	(1,442)	(30,548)
Closing liabilities from financing activities	**(10,558)**	**(18,544)**	**(4)**	**(1,442)**	**(30,548)**

	At 1 October 2020 £'000	Cash flows £'000	Non-cash changes Amortisation of issue costs £'000	Non-cash changes Foreign exchange movement £'000	At 30 September 2021 £'000
Financing activities					
Bank overdraft	(35,497)	24,939	–	–	(10,558)
Closing liabilities from financing activities	**(35,497)**	**24,939**	**–**	**–**	**(10,558)**

Additional Information

Glossary

Alternative Investment Fund Managers Directive ("AIFMD")

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 retains responsibility for strategy, operations and compliance. The directors retain a fiduciary duty to shareholders.

Association of Investment Companies

The Company is a member of the AIC which is the trade body for investment companies and represents the industry on matters which impact the regulation of such entities. The Company is a constituent of the AIC Europe sector.

Benchmark

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

Continental Europe

For the purpose of the Company's investment policy, this is defined as every country in Europe except the UK, the Channel Islands and the Isle of Man.

Custodian

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

Depositary

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.

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 on which the Company's net asset value per ordinary share will be disclosed ex-dividend.

Environmental, social and governance

Matters relating to environmental, social and governance ("ESG") activities, which are increasingly factored into the analysis of how corporate entities, including investment companies, conduct their activities.

Gearing

Gearing reflects the amount of borrowings that the Company has invested and indicates the extra amount by which net assets, or shareholders' funds, would move if the value of a company's investments were to rise or fall. This can be positive and would indicate the extent to which net assets are geared; nil gearing shows a company is ungeared. Negative gearing would indicate that a company is not fully invested and is holding net cash as described below.

There are several methods of calculating gearing, such as:

Gross gearing

This reflects the amount of gross borrowings (bank overdraft and loan notes) used by a Company and takes no account of any cash balances, as a percentage of net assets.

Net gearing

Net gearing reflects the amount of net borrowings invested, i.e. borrowings less cash and cash equivalents as a percentage of net assets. For further details please see the Alternative Performance Measures on page 77.

Investment trusts/investment companies

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

Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers and sellers in the market for the share in question. Where the market in a particular share is described as liquid, that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid, the difficulty of finding a buyer or seller will tend to depress or increase the price that might be negotiated for a sale or purchase. Investment companies can use allotment or buyback powers to assist market liquidity in their shares.

Market capitalisation ("market cap")

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

Treasury shares

Shares repurchased by the Company, but not cancelled, and available for re-issue under the appropriate circumstances.

Alternative Performance Measures

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.

Capital return per share

The capital return per share is the capital profit/(loss) for the year (see Income Statement) divided by the weighted average number of ordinary shares in issue during the year (see note 9 on page 65).

Discount or premium

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

		30 September 2022	30 September 2021
Net asset value per share (pence)	(A)	147.67	173.38
Price per share (pence)	(B)	127.00	159.00
(Discount) or Premium (C= (B-A)/A) (%)	(C)	(14.0)	(8.3)

Note: Comparative figures for the period ended 30 September 2021 have been restated due to the subdivision of each ordinary share of 50p into ten ordinary shares of 5p each on 7 February 2022

Net gearing

Net gearing is a measure of the Company's gross borrowings less cash. It is calculated in line with the AIC's reporting guidelines as the difference between total investments and net assets, expressed as a percentage of net assets. If the amount calculated is positive, there is net gearing, and if the amount negative, there is surplus cash in excess of all borrowings, i.e. no gearing.

		2022	2021
Investments held at fair value through profit or loss (page 59) (£'000)	(A)	320,289	382,205
Net assets (page 59) (£'000)	(B)	314,419	370,736
Net gearing (C=A/B-1)x100 (%)	(C)	1.9	3.1

Net asset value ("NAV") per ordinary share

The value of the Company's assets less any liabilities for which the Company is responsible, divided by the number of ordinary shares in issue, excluding shares held in treasury (see note 16) and calculated with debt at par. The aggregate NAV is also referred to as shareholders' funds in the Statement of Financial Position. The NAV per ordinary share is published daily and the year end NAV can be found on page 3 and further information is available on page 73 in note 21 within the Notes to the Financial Statements.

The basis of preparation of the Statement of Financial Position on page 59 is to recognise the value of the debt liability as the nominal amount that will be repaid at maturity (or NAV with debt at par). For the EUR 35 million of unsecured loan notes, this recognises a liability of EUR 35 million. However, we also provide an estimate of the NAV with debt at fair value in the interim and year end financial statements to provide further information to shareholders. This NAV with debt at fair value estimates the current value of the debt liability rather than the amount to be repaid at maturity. Further detail of the valuation method is set out in note 15.4 on page 71.

Alternative Performance Measures (continued)

Ongoing charge

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

	2022 £'000	2021 £'000
Management fees (note 5)	2,190	2,255
Other fees and expenses (note 6)	561	572
Less: non-recurring expenses	(33)	(28)
Ongoing charge	**2,718**	**2,799**
Average net assets[1]	354,575	349,994
Ongoing charge ratio (%)	**0.77**	**0.80**

1 Calculated using the average daily net asset value with debt at par

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

Revenue return per share

The revenue earnings per share is the revenue return for the year (see Income Statement) divided by the weighted average number of ordinary shares in issue during the year (page 65).

Total return performance

The total return performance on the NAV or share price taking into account both the rise and/or fall of NAV/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 10 on page 66.

	NAV per share	Share price
NAV per share/share price at 30 September 2021 (pence)	173.4	159.0
NAV per share/share price at 30 September 2022 (pence)	147.7	127.0
Change in the year (%)	(14.8)	(20.1)
Impact of dividends reinvested (%)	2.1	2.3
Total return for the year (%)	**(13.1)**	**(18.3)**

Comparative figures for the year ended 30 September 2021 have been restated due to the subdivision of each ordinary share of 50p into ten ordinary shares of 5p each on 7 February 2022

Yield

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

		30 September 2022	30 September 2021
Annual dividend excluding special dividend (pence)	(A)	4.35[1]	3.31
Share price (pence)	(B)	127.0	159.0
Yield (C=A/B) (%)	(C)	3.4	2.1

1 Comprising the following dividends on a per share basis: 1.20p interim, 3.15p final, excluding the 0.50p special

Comparative figures for the period ended 30 September 2021 have been restated due to the subdivision of each ordinary share of 50p into ten ordinary shares of 5p each on 7 February 2022

General Shareholder Information

AIFMD Disclosures

In accordance with the AIFMD, information about the Company's leverage, the remuneration and remuneration policy of Janus Henderson Investment Fund Management UK Limited, as the Company's alternative investment fund manager ("AIFM"), are available to investors. These disclosures are provided in the AIFMD disclosure document, which can be found at **www.hendersoneuropeanfocus.com**.

BACS

Dividends can be paid via BACS, and mandate forms for this purpose are available from the registrar. Alternatively, shareholders can write to the registrar Equiniti (EQ) at the address on page 80 to give their instructions, which must include the bank account details to which payments are to be made.

Common Reporting Standard and FATCA

Tax legislation under the OECD's Common Reporting Standard for Automatic Exchange of Financial Account Information 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 non-UK-based certificated shareholders and corporate entities.

The Foreign Account Tax Compliance Act ("FATCA") is a United States law which requires investment trusts to monitor the trading volume and frequency of their securities to assess whether they have financial accounts for US persons. The Company makes an annual assessment to determine if the shares represent financial accounts and would report any US accounts to HMRC.

Equality Act 2010

This Annual Report and other documents issued by the Company are available from the corporate secretary and can be provided in alternative formats, including Braille or larger type, as appropriate. You may contact the registrar who 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 03707020005. 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.

GDPR

A privacy statement can be found at **www.janushenderson.com**.

ISA

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

Non-mainstream pooled investments ("NMPI") status

The Company currently conducts its affairs so that its ordinary shares of 5p each can be recommended by independent financial advisors to ordinary retail investors in accordance with the Financial Conduct Authority's rules about non-mainstream investment products and intends 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")

PRIIPs requires the Manager, as the PRIIPs manufacturer, to prepare a KID in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available on the Company's website. The Company is not responsible for the information contained in the KID. Procedures for calculating the risks, costs and potential returns are prescribed by law and will indicate different cost numbers from those provided in the Company's financial statements. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

Performance/share price publication

The Company's NAV is published daily. Details of the Company's share price and NAV per share can be found on the website **www.hendersoneuropeanfocus.com**, on the London Stock Exchange Daily Official List, in the Financial Times and on Trustnet.

Taxonomy Regulation

Regulation (EU) 2020/852 ('Taxonomy Regulation') establishes the basis for the EU taxonomy. The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities to provide companies, investors and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable. In accordance with the Taxonomy Regulation, the Company states that the investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Service Providers

Registered office

201 Bishopsgate
London EC2M 3AE

Other service providers

Alternative investment fund manager ("AIFM")

Janus Henderson Fund Management UK Limited*
201 Bishopsgate
London EC2M 3AE

Corporate secretary

Janus Henderson Secretarial Services UK Limited*
201 Bishopsgate
London EC2M 3AE
Telephone: 020 7818 1818
ITSecretariat@JanusHenderson.com

Depositary and custodian

HSBC Bank Plc
8 Canada Square
London E14 5HQ

Stockbroker

Winterflood Securities Limited
The Atrium Building
Cannon Bridge, 25 Dowgate Hill
London EC4R 2GA

Registrar

Equiniti Limited ("EQ")
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: 0371 384 2457
(or +44 121 415 0804 if calling from overseas)
Lines are open 9.00 am to 5.00 pm UK time,
Monday to Friday.

There is a range of shareholder information online. You can check your holding and find practical help on transferring shares or updating your details at **www.shareview.co.uk**.

Independent auditor

Ernst & Young LLP
25 Churchill Place
London E14 5EY

Financial calendar

Annual results announced	December 2022
Ex dividend date	5 January 2023
Dividend record date	6 January 2023
Annual General Meeting	26 January 2023
Final dividend payable	6 February 2023
Half-year results announced	May 2023
Interim dividend payable	June 2023

Information sources

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

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

Follow Janus Henderson Investment Trusts on LinkedIn: – Janus Henderson Investment Trusts, UK.

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 get back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

* Henderson Investment Funds Limited and Henderson Secretarial Services Limited changed their names in March 2022 to Janus Henderson Fund Management UK Limited and Janus Henderson Secretarial Services UK Limited respectively

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 persistent and extremely persuasive. Shareholders are therefore advised to be wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. Please note that it is unlikely that either the Company or the Company’s registrar, Equiniti, would make unsolicited telephone calls to shareholders. Any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment ‘advice’. If you are in any doubt about the veracity of an unsolicited phone call, please call the corporate secretary at the number provided on page 80. You can also check the FCA Warning List at **#BeScamSmart**.

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

SEDOL/ISIN number: Ordinary Shares: BLSNGB0/GB00BLSNGB01
London Stock Exchange (TIDM) Code: HEFT
Global Intermediary Identification Number (GIIN): THMNPN.99999.SL.826
Legal Entity Identifier (LEI): 213800GS89AL1DK3IN50

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

www.hendersoneuropeanfocus.com

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