

# **HENDERSON EUROTRUST PLC**

## **HALF YEAR REPORT (unaudited) for the six months ended 31 January 2010**

**HENDERSON EUROTRUST PLC**  
**Unaudited Financial Statements for the half year ended 31 January 2010**

**Financial Highlights**

	(Unaudited) Half year ended 31 January 2010 pence	(Unaudited) Half year ended 31 January 2009 pence	%	(Audited) Year ended 31 July 2009 pence	%
			change		change
Net asset value per ordinary share	534.1	456.3	17.1	487.8	9.5
Revenue return per ordinary share	0.6	2.2	-	12.4	-
Dividends per ordinary share	4.0	3.0	33.3	11.0	-
Price per ordinary share	494.0	421.5	17.2	442.0	11.8
Discount	7.5%	7.6%	-	9.4%	-

**Interim Management Report**  
**Chairman's Statement**

**Economic Backdrop**

A year ago markets were close to their previous lows as governments wrestled with the aftermath of the world-wide credit crunch following the Lehman Brothers demise. Private credit supply had collapsed and the public sectors in many countries – including those in Europe – had to step into the breach and take up the slack. Only they were able to do this.

A year on what was the solution then is seen now as a major problem. Most observers concede that the fiscal and monetary intervention was necessary to stave off a more serious economic collapse and accordingly markets breathed a huge sigh of relief and rebounded from their lows. But now we are looking at huge levels of aggregate indebtedness from private households, corporates and governments, and many are asking themselves how on earth it will ever be repaid.

The focus of attention, naturally, has been on those governments that have the burdensome combination of high current deficits and high existing debt levels relative to GDP. Prominent among them are countries in 'our' European region, specifically Greece, Portugal, Spain, Italy, and Ireland. The problems these governments face will weigh heavily on their growth prospects and corporate profitability and on neighbouring areas for years to come. In many investors' eyes, the whole of the European region is viewed as entering a harsh pay-back era after years of profligate spending.

A more nuanced view is however called for. Doubtless this scenario has caused investors to sell the Euro and has discouraged the ECB from even thinking of raising interest rates. The lack of harmonised fiscal policies in Europe has caused divergences between the well-off countries of northern Europe and those mentioned earlier, and that makes it difficult for the pain in this latter group to be shared with the more prosperous countries.

Both low interest rates and a depreciating Euro work of course to the benefit of the wealthier countries and for many of the companies in this region that Tim Stevenson, our Portfolio Manager, has favoured; lower interest rates and a competitive exchange rate are hardly bad news for a German, French, Swiss or Scandinavian exporter. What looks like a threat to many investors is an opportunity for the more perspicacious.

**Performance**

In the six months of the current reporting period, the total return per share, in NAV terms, was 12.6%, compared with 11.1% on the benchmark index. Our Portfolio Manager's emphasis on higher quality fundamentals in our investee companies worked against him for much of the time, as markets recovered and banks in particular rebounded, but towards the end of the period there was a reversal in these trends, which left our portfolio again ahead of the index.

**HENDERSON EUROTRUST PLC**  
**Unaudited Financial Statements for the half year ended 31 January 2010**

**Dividend**

The Board has decided to increase the interim dividend from 3.0p to 4.0p per share and is confident that the final dividend can at least be maintained.

**Discount Control**

The discount of the share price to its underlying net asset value has been volatile. Your Board has however been more active in the market, and bought back a total of 1,801,138 shares in the period. Shareholders are advised that the average discount test approved at the EGM in March 2007 has been met for the required period and accordingly no further proposals are being put forward by the Board. In accordance with the authority granted at the AGM last November, we retain the flexibility to re-purchase shares when we see fit, and have continued to do so since the period end.

**Related Party Transactions**

During the first six months of the current financial year, no transactions have taken place with related parties which have materially affected the financial position or performance of the Company. Details of related party transactions are contained in the Annual Report and Financial Statements.

**Prospects, Risks and Uncertainties**

We have emerged from a period of extreme risks and uncertainties surrounding the 2008 and 2009 financial crisis, but since the end of the half year period the net asset value per share has touched 600p for the first time. This is a strong recovery, and reflects the hard work that management of European companies have put in to overcome the crises and also the greater confidence that investors now have in the prospects for those companies. It also is the result of careful stock picking by our Portfolio Manager.

As always uncertainties remain. Our shares are priced in Sterling, which is showing some volatility against the Euro, the currency in which most of our investments are quoted. The discount continues to fluctuate and over the short term could widen, to the disadvantage of current holders. The main risk in the outlook is, in our view, the strength of economic recovery in Europe as governments in the region face the difficulty of solving their debt problems.

We feel that all in all cautious optimism is a reasonable stance to take and as a sign of this we have introduced some modest gearing into the portfolio.

Mark Tapley  
Chairman  
23 March 2010

**HENDERSON EUROTRUST PLC**  
**Unaudited Financial Statements for the half year ended 31 January 2010**

**Portfolio Manager's Comments**

The first six months of the Company's financial year have seen some progress in European markets, but with a slightly worrying increase in tension as the period progressed. The markets are being pulled in two directions – relief that economies look to be recovering, tempered by concern that recovery is slow and patchy, and the bill for last year's bailout will have to be paid some time. The Net Asset Value Total Return was 12.6% compared with an increase in the benchmark FTSE Europe (ex UK) Index of 11.1%.

We have continued with the strategy which we already had in place at the end of July 2009, our financial year end. We have maintained exposure to the consistent, reliable names (such as SGS, Fresenius, Inditex to name a few) and have increased exposure to companies which should be poised for good earnings growth for at least 2 to 3 years as the economic recovery gathers pace (names such as Henkel, Linde, ABB and Schneider). Many European exporting companies should be well placed given their skills and efficiency, as well as the renewed impetus from a weaker Euro. We have limited exposure to the telecoms and utilities sectors having sold Telefonica and EON. Other positions which have been sold are Grifols, Neopost, Genmab, UCB, Munich Re and Vivendi Universal. The rationale for these (and other) sales has been concern that the recovery in earnings was either reflected in the share price (in our view) or was not as good as expected.

Over the last few months we have gradually introduced some modest gearing into the portfolio, mostly since the end of January. Our additions to the portfolio include a return to Deutsche Post, Aegon and ING and also Siemens. We have also added two technology names in ASML and STM as well as Swedish Match, the chewing tobacco producer. We remain very cautious on banks, and the main exposure to financials is by way of the insurance companies.

**Outlook**

There has been concern for some time that that the strains and imbalances within the single Euro currency could cause significant stress in the next recession. In recent weeks and months, the cost of servicing debt for different countries within the Euro has begun to increase sharply, notably for those countries with higher budget deficits and national debt (Greece, Portugal, Italy, Ireland and Spain). The only realistic solution for these countries is budgetary constraint in the form of higher taxes and less government spending, regardless of how politically unpalatable that may prove.

This comes at a time when the ECB has (as have the UK and the USA) begun to slowly withdraw the unprecedented levels of monetary stimulus that were introduced over the last 18 months. After applying the defibrillator, the patient is now being asked to start to support himself.

We suspect that after an initial period of stronger growth in the early part of 2010, growth will stabilise at a low level. For that reason we think interest rates will stay low, and this should be a good environment for European equities. But as always, there will be volatility, and that is why we have a broad approach. Over the course of the next twelve months we are likely to move towards the reliable and consistent names to an even greater extent than is currently the case.

Tim Stevenson  
Portfolio Manager  
23 March 2010

**HENDERSON EUROTRUST PLC**  
**Unaudited Financial Statements for the half year ended 31 January 2010**

**Income Statement**

for the half year ended 31 January 2010

	(Unaudited) Half year ended 31 January 2010			(Unaudited) Half year ended 31 January 2009			(Audited) Year ended 31 July 2009		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Gains/(losses) from investments held at fair value through profit or loss	-	12,321	12,321	-	(15,216)	(15,216)	-	(8,789)	(8,789)
Investment income	407	-	407	567	-	567	3,783	-	3,783
Other interest receivable and similar income	1	-	1	244	-	244	403	-	403
<b>Gross revenue and capital gains/(losses)</b>	<b>408</b>	<b>12,321</b>	<b>12,729</b>	811	(15,216)	(14,405)	4,186	(8,789)	(4,603)
Management and performance fees (note 4)	(82)	(329)	(411)	(78)	(310)	(388)	(151)	(1,530)	(1,681)
Write back of prior years' VAT	-	-	-	40	54	94	129	110	239
Other administrative expenses	(141)	-	(141)	(98)	-	(98)	(201)	-	(201)
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>	<b>185</b>	<b>11,992</b>	<b>12,177</b>	675	(15,472)	(14,797)	3,963	(10,209)	(6,246)
Finance costs	(2)	(4)	(6)	-	-	-	-	-	-
<b>Net return/(loss) on ordinary activities before taxation</b>	<b>183</b>	<b>11,988</b>	<b>12,171</b>	675	(15,472)	(14,797)	3,963	(10,209)	(6,246)
Taxation on net return on ordinary activities	(48)	-	(48)	(162)	72	(90)	(1,105)	376	(729)
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>135</b>	<b>11,988</b>	<b>12,123</b>	513	(15,400)	(14,887)	2,858	(9,833)	(6,975)
<b>Return/(loss) per ordinary share (note 2)</b>	<b>0.6p</b>	<b>53.9p</b>	<b>54.5p</b>	2.2p	(66.7)p	(64.5)p	12.4p	(42.7)p	(30.3)p

The total columns of this statement represent the Income Statement of the Company.

All revenue and capital returns in the above statement derive from continuing operations.

No operations were acquired or discontinued during the half year ended 31 January 2010. The Company has no recognised gains or losses other than those recognised in the Income Statement and the Reconciliation of Movements in Shareholders' Funds.

**HENDERSON EUROTRUST PLC**  
**Unaudited Financial Statements for the half year ended 31 January 2010**

**Reconciliation of Movements in Shareholders' Funds**  
for the half year ended 31 January 2010

Half year ended 31 January 2010 Unaudited)	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
<b>As at 31 July 2009</b>	<b>1,148</b>	<b>33,814</b>	<b>135</b>	<b>73,934</b>	<b>3,016</b>	<b>112,047</b>
<b>Net return on ordinary activities after taxation</b>	-	-	-	<b>11,988</b>	<b>135</b>	<b>12,123</b>
<b>Repurchase of ordinary shares held in Treasury</b>	-	-	-	<b>(9,291)</b>	-	<b>(9,291)</b>
<b>Final dividend for 2009 paid</b>	-	-	-	-	<b>(1,376)</b>	<b>(1,376)</b>
<b>Special dividend for 2009 paid</b>	-	-	-	-	<b>(458)</b>	<b>(458)</b>
<b>As at 31 January 2010</b>	<b>1,148</b>	<b>33,814</b>	<b>135</b>	<b>76,631</b>	<b>1,317</b>	<b>113,045</b>
<b>Half year ended 31 January 2009 (Unaudited)</b>						
<b>As at 31 July 2008</b>	<b>1,153</b>	<b>33,814</b>	<b>130</b>	<b>84,176</b>	<b>2,464</b>	<b>121,737</b>
<b>Net (loss)/return on ordinary activities after taxation</b>	-	-	-	<b>(15,400)</b>	<b>513</b>	<b>(14,887)</b>
<b>Repurchase of ordinary shares</b>	<b>(1)</b>	-	<b>1</b>	<b>(76)</b>	-	<b>(76)</b>
<b>Final dividend for 2008 paid</b>	-	-	-	-	<b>(1,153)</b>	<b>(1,153)</b>
<b>Special dividend for 2008 paid</b>	-	-	-	-	<b>(461)</b>	<b>(461)</b>
<b>As at 31 January 2009</b>	<b>1,152</b>	<b>33,814</b>	<b>131</b>	<b>68,700</b>	<b>1,363</b>	<b>105,160</b>
<b>Year ended 31 July 2009 (Audited)</b>						
<b>As at 31 July 2008</b>	<b>1,153</b>	<b>33,814</b>	<b>130</b>	<b>84,176</b>	<b>2,464</b>	<b>121,737</b>
<b>Net (loss)/return on ordinary activities after taxation</b>	-	-	-	<b>(9,833)</b>	<b>2,858</b>	<b>(6,975)</b>
<b>Repurchase of ordinary shares</b>	<b>(5)</b>	-	<b>5</b>	<b>(409)</b>	-	<b>(409)</b>
<b>Final dividend for 2008 paid</b>	-	-	-	-	<b>(1,153)</b>	<b>(1,153)</b>
<b>Special dividend for 2008 paid</b>	-	-	-	-	<b>(462)</b>	<b>(462)</b>
<b>Interim dividend for 2009 paid</b>	-	-	-	-	<b>(691)</b>	<b>(691)</b>
<b>As at 31 July 2009</b>	<b>1,148</b>	<b>33,814</b>	<b>135</b>	<b>73,934</b>	<b>3,016</b>	<b>112,047</b>

**HENDERSON EUROTRUST PLC**  
**Unaudited Financial Statements for the half year ended 31 January 2010**

**Balance Sheet**

as at 31 January 2010

	(Unaudited) 31 January 2010 £'000	(Unaudited) 31 January 2009 £'000	(Audited) 31 July 2009 £'000
<b>Investments held at fair value through profit or loss</b>	<b>116,095</b>	95,560	110,571
<b>Current assets</b>			
Debtors	302	1,513	556
Cash at bank and short term deposits	1,709	8,581	2,570
	<b>2,011</b>	10,094	3,126
<b>Creditors: amounts falling due within one year</b>	<b>(5,061)</b>	(494)	(1,650)
<b>Net current (liabilities)/assets</b>	<b>(3,050)</b>	9,600	1,476
<b>Total net assets</b>	<b>113,045</b>	105,160	112,047
<b>Capital and reserves</b>			
Called up share capital	1,148	1,152	1,148
Share premium account	33,814	33,814	33,814
Capital redemption reserve	135	131	135
Other capital reserves	76,631	68,700	73,934
Revenue reserve	1,317	1,363	3,016
<b>Equity shareholders' funds</b>	<b>113,045</b>	105,160	112,047
<b>Net asset value per ordinary share (note 3)</b>	<b>534.1p</b>	456.3p	487.8p

**HENDERSON EUROTRUST PLC**  
**Unaudited Financial Statements for the half year ended 31 January 2010**

**Cash Flow Statement**

for the half year ended 31 January 2010

	(Unaudited) Half year ended 31 January 2010 £'000	(Unaudited) Half year ended 31 January 2009 £'000	(Audited) Year ended 31 July 2009 £'000
Net cash (outflow)/inflow from operating activities	(1,032)	(299)	3,079
Servicing of finance	(1)	-	-
UK Corporation Tax paid	-	-	(75)
Overseas tax recovered	156	18	39
Net cash inflow/(outflow) from financial investment	6,440	4,433	(3,584)
Equity dividends paid	(1,834)	(1,614)	(2,306)
	-----	-----	-----
Net cash inflow/(outflow) before financing	3,729	2,538	(2,847)
Net cash outflow from financing	(4,666)	-	(409)
	-----	-----	-----
<b>(Decrease)/increase in cash</b>	<b>(937)</b>	<b>2,538</b>	<b>(3,256)</b>
	=====	=====	=====
<b>Reconciliation of operating revenue to net cash (outflow)/inflow from operating activities</b>			
Net gain/(loss) before finance costs and taxation	12,177	(14,797)	(6,246)
Capital (gain)/loss before finance costs and taxation	(11,992)	15,472	10,209
(Decrease)/increase in prepayments, accrued income and other debtors	112	(275)	827
(Decrease)/increase in creditors and accruals	(938)	(365)	409
Expenses charged to capital	(329)	(256)	(1,420)
Tax on unfranked investment income deducted at source	(62)	(78)	(700)
	-----	-----	-----
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(1,032)</b>	<b>(299)</b>	<b>3,079</b>
	=====	=====	=====
<b>Reconciliation of net cash flow to movements in net funds</b>			
(Decrease)/increase in cash as above	(937)	2,538	(3,256)
Cash inflow from increase in loans	(4,625)	-	-
Exchange movements	76	683	466
	-----	-----	-----
Movement in net funds	(5,486)	3,221	(2,790)
Net funds at 1 August	2,570	5,360	5,360
	-----	-----	-----
<b>Net (debt)/funds at end of the period</b>	<b>(2,916)</b>	<b>8,581</b>	<b>2,570</b>
	=====	=====	=====
<b>Represented by:</b>			
Cash at bank	1,709	8,581	2,570
Bank loans	(4,625)	-	-
	-----	-----	-----
	(2,916)	8,581	2,570
	=====	=====	=====



**HENDERSON EUROTRUST PLC**  
**Unaudited Financial Statements for the half year ended 31 January 2010**

**Notes**

1. **Accounting policies**  
 The accounts have been prepared on a going concern basis and under the historical cost convention, modified to include the revaluation of investments at fair value and in accordance with applicable accounting standards, pronouncements on interim reporting issued by Accounting Standards Board and with the Statement of Recommended Practice for Investment Trusts ('SORP') dated January 2009.
  
2. **Return/(loss) per ordinary share**  
 Return/(loss) per ordinary share is based on the net return attributable to the ordinary shares of £12,123,000 (half year ended 31 January 2009: £14,887,000 loss; year ended 31 July 2009: £6,975,000 loss) and on the 22,226,774 weighted average number of shares (half year ended 31 January 2009: 23,065,905; year ended 31 July 2009: 23,048,948) in issue.  
  
 Revenue return per ordinary share is based on the net revenue return attributable to the ordinary shares of £135,000 (half year ended 31 January 2009: £513,000; year ended 31 July 2009: £2,858,000) and on the 22,226,774 weighted average number of shares (half year ended 31 January 2009: 23,065,905; year ended 31 July 2009: 23,048,948) in issue.  
  
 Capital return per ordinary share is based on the net capital return attributable to the ordinary shares of £11,988,000 (half year ended 31 January 2009: £15,400,000 loss; year ended 31 July 2009: £9,833,000 loss) and on the 22,226,774 weighted average number of shares (half year ended 31 January 2009: 23,065,905; year ended 31 July 2009: 23,048,948) in issue.
  
3. **Net asset value per ordinary share**  
 Net asset value per ordinary share is based on the 21,166,925 (half year ended 31 January 2009: 23,048,063; year ended 31 July 2009: 22,968,063) ordinary shares in issue. During the period ended 31 January 2010, 1,801,138 (half year ended 31 January 2009: 18,000; year ended 31 July 2009: 98,000, both subsequently cancelled) ordinary shares were repurchased at a total cost of £9,291,000 and held in Treasury (half year ended 31 January 2009: £76,000; year ended 31 July 2009: £409,000).
  
4. **Management and performance fees**  
 Management and performance fees are charged in accordance with the terms of the management agreement. Performance fees are provided for, based on the out-performance of the Company's net asset value against the FTSE World Europe (ex UK) index. For the half year ended 31 January 2010, there was no performance fee provision (half year ended 31 January 2009: £nil and year ended 31 July 2009: £926,000).
  
5. **Going concern**  
 The Directors believe that it is appropriate to adopt the going concern basis in preparing the financial statements. The assets of the Company consist mainly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.
  
6. **Interim dividend**  
 An interim dividend of 4.0p per ordinary share will be paid on 30 April 2010 to shareholders on the Register of Members on 6 April 2010. The Company's shares will be quoted ex-dividend on 31 March 2010.
  
7. **Comparative information**  
 The financial information contained in this half year report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half years ended 31 January 2009 and 31 January 2010 has not been audited or reviewed by the Company's auditors. The figures and financial information for the year ended 31 July 2009 are an extract based on the latest published accounts and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.
  
8. **Financial Statements for the half year**  
 The Financial Statements for the half year will be posted to shareholders in late March and will be available on the Company's website [www.hendersoneurotrust.com](http://www.hendersoneurotrust.com) and at the Registered Office at 201 Bishopsgate, London EC2M 3AE thereafter.

**HENDERSON EUROTRUST PLC**  
**Unaudited Financial Statements for the half year ended 31 January 2010**

**Directors' Responsibility Statement**

The Directors confirm that, to the best of their knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with the Accounting Standards Board's statement 'Half-Yearly Financial Reports';
- (b) this report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) this report includes a fair review of the information required by the Disclosure and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

For and on behalf of the Board  
Mark Tapley  
Chairman  
23 March 2010