

# **HENDERSON EUROTRUST PLC**

## **HALF YEAR REPORT**

**(unaudited)**

**for the six months ended 31 January 2011**

**HENDERSON EUROTRUST PLC**  
**Unaudited Financial Statements for the half year ended 31 January 2011**

**Financial Highlights**

|                                    | (Unaudited)<br>Half year<br>ended<br>31 January<br>2011 | (Unaudited)<br>Half year<br>ended<br>31 January<br>2010 | %      | (Audited)<br>Year<br>ended<br>31 July 2010 | %      |
|------------------------------------|---|---|--------|--|--------|
|                                    |   |   | change |  | Change |
| Net asset value per ordinary share | <b>618.0p</b>   | 534.1p  | 15.7   | 549.0p                                     | 12.6   |
| Revenue return per ordinary share  | <b>0.8p</b>   | 0.6p  | -      | 12.1p                                      | -      |
| Dividends per ordinary share       | <b>4.0p</b>   | 4.0p  | -      | 11.0p                                      | -      |
| Price per ordinary share           | <b>557.0p</b>   | 494.0p  | 12.8   | 490.0p                                     | 13.7   |
| Discount                           | <b>9.9%</b>   | 7.5%  | -      | 10.7%                                      | -      |

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

**Economic Backdrop**

The half year to end January 2011 saw further gains in the share price and in the net asset value per share of our Company. This marks the second year of a recovery from the credit crisis of 2008/09 and since the low point in March 2009, our shareholders have benefited from a total return of over 60%.

Economic news in Europe has spanned all sentiments over the last two years, with intense concern on Ireland, Greece, Portugal and Spain at the least favourable end to strong exports and talk of full capacity in some northern European countries. We continue to encourage our Manager to look for the best quality investments in this diverse region.

The companies selected by Tim Stevenson, our Manager, and his team benefit not so much from local demand but from global demand. Their products and services are often world-class and in many instances the companies dominate their industries. In the view of your Board, our Company's portfolio should not therefore be seen as a 'play' on the European region's growth prospects, but on the ability of these companies to continue to thrive, as they have in the period under review, within a global economy.

**Performance**

In the first six months of the financial year, the total return per share in NAV terms was 15.5%, compared with 14.5% for the FTSE World Europe (ex UK) Index. Over the twelve month period since 1 February 2010, the Company's NAV total return increased by 18.5%, whilst the index rose by 15.3%. The Company has continued to buy back for cancellation, a modest number of its own shares and it remains flexible to such purchases in the future. At 31 January 2011 the discount stood at 9.9%; well below that of many of our peer trusts.

**HENDERSON EUROTRUST PLC**  
**Unaudited Financial Statements for the half year ended 31 January 2011**

**Dividend**

The Board has decided to pay an unchanged interim dividend of 4.0p per share and remains confident that it will be able at least to maintain the level of total dividends at 11.0p in this financial year.

**Related Party Transactions**

During the first six months of the current financial year, no transactions with related parties have taken place, 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**

Demand for the products and services of the companies we invest in remains good, and over time will translate into higher earnings and dividends. According to leading brokers, both earnings and dividends are expected to increase both this year and next. With European markets already rated amongst the lowest in the world in terms of P/E ratio it seems reasonable to expect that our companies' share prices will now move at least in line with those earnings and dividends.

Many macro-economic and geo-political issues cloud our skies of course. The indebtedness problems of governments and the financial sector in southern Europe have not yet been fully resolved; the popular uprisings in North Africa and the Middle East have caught observers by surprise, threatening both lower demand and higher energy prices; the important US economy is drifting deeper and deeper into a fiscal debt mire; and the now equally important Chinese economy remains prone to real estate bubbles and general price inflation. Lastly, as we write, the terrible natural disasters in Japan have disrupted global financial markets in the last few days; how long for and in what way, we cannot at this stage foresee.

Over the last few years, the companies we invest in generally navigated their way through the credit crisis and the subsequent shocks within the Euro-zone; we expect them to face the current challenges with equal, or even improved, flexibility and resourcefulness.

**Mark Tapley**

**Chairman**

17 March 2011

**HENDERSON EUROTRUST PLC**  
**Unaudited Financial Statements for the half year ended 31 January 2011**

**Portfolio Manager's Commentary**

The net asset value total return for the Company advanced by 15.5% over the six month period, compared to an increase of 14.5% in the benchmark FTSE Europe (ex UK) Index.

We have made a few changes to the portfolio, and have increased the number of stocks to 51 which is more than we generally hold. It is significant that there are a number of new technology related additions – Temenos in banking software, Aixtron, which makes the machinery required for the manufacture of LED's, and United Internet in internet connections (it describes itself as an "Internet Factory"). We also bought a holding in Amadeus, one of the main IT companies behind airlines. We have also increased the emphasis on quality cyclical companies with a return to holding positions in both Atlas Copco and Sandvik, top quality engineering companies which are well exposed to many of the growth areas such as mining capital expenditure.

We have sold out of Sika on concerns that construction spending will stay subdued, and have also sold the French retailer Carrefour after yet another profits warning. A number of other sales reflect the need to fund better opportunities elsewhere.

We have continued in a modest fashion, to buy back some of our own shares. We recognise that having to do this reduces the liquidity for shareholders, but we will also not sit idly by while the discount to net asset value rises to what we consider to be an unreasonably high level.

**Outlook**

Markets have been moving at a frenetic pace in the early part of 2011, as if trying to live out every possible emotion in the shortest space of time. We have been tending to ignore most of this "noise", and focus on a few simple facts: European economies are doing much better than in the previous period, as are the USA and emerging markets. Earnings are also recovering fast and most results have been in line with expectations, even if outlook statements have tended to be more cautious as managements endeavour to keep control of this renewed optimism. It is significant that interest rates have started to rise at the long end as fears of renewed inflation grow. It is clear that raw material prices are rising sharply and in many emerging markets inflation is becoming a big concern, leading to higher short term interest rates. In developed markets the fiscal stimulus is being withdrawn and it is possible that interest rates will rise later this year. There are therefore a few challenges ahead, but equity valuations are still low, dividend yields are good, and many top quality growth companies have not yet really participated in recent market strength. After the strong rally over the last few months, it would be consistent for markets to have a consolidation. The devastating earthquake and tsunami in Japan, tension in the Middle East and fears of higher inflation may cause that to happen.

**Tim Stevenson**  
**Portfolio Manager**  
17 March 2011

**HENDERSON EUROTRUST PLC**  
**Unaudited Financial Statements for the half year ended 31 January 2011**

**Income Statement**

for the half year ended 31 January 2011

|  | (Unaudited)<br>Half year ended<br>31 January 2011 |                            |                | (Unaudited)<br>Half year ended<br>31 January 2010 |                            |                | (Audited)<br>Year ended<br>31 July 2010 |                            |                |
|--|---|----------------------------|----------------|---|----------------------------|----------------|---|----------------------------|----------------|
|  | Revenue<br>return<br>£'000                        | Capital<br>return<br>£'000 | Total<br>£'000 | Revenue<br>return<br>£'000                        | Capital<br>return<br>£'000 | Total<br>£'000 | Revenue<br>return<br>£'000              | Capital<br>return<br>£'000 | Total<br>£'000 |
| Gains from investments held at fair value through profit or loss           | -   | 15,966                     | 15,966         | -   | 12,321                     | 12,321         | -                                       | 14,645                     | 14,645         |
| Investment income  | 414   | -                          | 414            | 407   | -                          | 407            | 3,496                                   | -                          | 3,496          |
| Other interest receivable and similar income                               | 1   | -                          | 1              | 1   | -                          | 1              | -                                       | -                          | -              |
| <b>Gross revenue and capital gains</b>                                     | <b>415</b>  | <b>15,966</b>              | <b>16,381</b>  | <b>408</b>  | <b>12,321</b>              | <b>12,729</b>  | <b>3,496</b>                            | <b>14,645</b>              | <b>18,141</b>  |
| Management and performance fees (note 4)                                   | (88)  | (355)                      | (443)          | (82)  | (329)                      | (411)          | (169)                                   | (1,247)                    | (1,416)        |
| Other administrative expenses  | (140)   | -                          | (140)          | (141)   | -                          | (141)          | (288)                                   | -                          | (288)          |
| <b>Net return on ordinary activities before finance costs and taxation</b> | <b>187</b>  | <b>15,611</b>              | <b>15,798</b>  | <b>185</b>  | <b>11,992</b>              | <b>12,177</b>  | <b>3,039</b>                            | <b>13,398</b>              | <b>16,437</b>  |
| Finance costs  | (2)   | (6)                        | (8)            | (2)   | (4)                        | (6)            | (9)                                     | (34)                       | (43)           |
| <b>Net return on ordinary activities before taxation</b>                   | <b>185</b>  | <b>15,605</b>              | <b>15,790</b>  | <b>183</b>  | <b>11,988</b>              | <b>12,171</b>  | <b>3,030</b>                            | <b>13,364</b>              | <b>16,394</b>  |
| Taxation on net return on ordinary activities                              | (15)  | -                          | (15)           | (48)  | -                          | (48)           | (414)                                   | -                          | (414)          |
| <b>Net return on ordinary activities after taxation</b>                    | <b>170</b>  | <b>15,605</b>              | <b>15,775</b>  | <b>135</b>  | <b>11,988</b>              | <b>12,123</b>  | <b>2,616</b>                            | <b>13,364</b>              | <b>15,980</b>  |
| <b>Return per ordinary share (note 2)</b>                                  | <b>0.8p</b>                                       | <b>75.0p</b>               | <b>75.8p</b>   | <b>0.6p</b>                                       | <b>53.9p</b>               | <b>54.5p</b>   | <b>12.1p</b>                            | <b>61.9p</b>               | <b>74.0p</b>   |

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 2011. 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 2011**

**Reconciliation of Movements in Shareholders' Funds**

for the half year ended 31 January 2011

| Half year ended 31 January 2011<br>(Unaudited)                             | Called<br>up<br>share<br>capital<br>£'000 | Share<br>premium<br>account<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Other<br>capital<br>reserves<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>£'000 |
|--|---|--------------------------------------|---|---------------------------------------|-----------------------------|----------------|
| As at 31 July 2010   | 1,044                                     | 33,814                               | 239                                       | 76,555                                | 2,958                       | 114,610        |
| Net return on ordinary activities<br>after taxation                        | -   | -                                    | -   | 15,605                                | 170                         | 15,775         |
| Repurchase of ordinary shares  | (6)                                       | -                                    | 6   | (634)                                 | -                           | (634)          |
| Final dividend for 2010 paid   | -   | -                                    | -   | -                                     | (1,459)                     | (1,459)        |
| As at 31 January 2011  | 1,038                                     | 33,814                               | 245                                       | 91,526                                | 1,669                       | 128,292        |
| Half year ended 31 January 2010<br>(Unaudited)                             |   |                                      |   |                                       |                             |                |
| As at 31 July 2009   | 1,148                                     | 33,814                               | 135                                       | 73,934                                | 3,016                       | 112,047        |
| Net return on ordinary activities<br>after taxation                        | -   | -                                    | -   | 11,988                                | 135                         | 12,123         |
| Repurchase of ordinary shares held in Treasury<br>(subsequently cancelled) | -   | -                                    | -   | (9,291)                               | -                           | (9,291)        |
| Final dividend for 2009 paid   | -   | -                                    | -   | -                                     | (1,376)                     | (1,376)        |
| Special dividend for 2009 paid   | -   | -                                    | -   | -                                     | (458)                       | (458)          |
| As at 31 January 2010  | 1,148                                     | 33,814                               | 135                                       | 76,631                                | 1,317                       | 113,045        |
| Year ended 31 July 2010<br>(Audited)                                       |   |                                      |   |                                       |                             |                |
| As at 31 July 2009   | 1,148                                     | 33,814                               | 135                                       | 73,934                                | 3,016                       | 112,047        |
| Net return on ordinary<br>activities after taxation                        | -   | -                                    | -   | 13,364                                | 2,616                       | 15,980         |
| Repurchase of ordinary shares  | (104)                                     | -                                    | 104                                       | (10,743)                              | -                           | (10,743)       |
| Final dividend for 2009 paid   | -   | -                                    | -   | -                                     | (1,376)                     | (1,376)        |
| Special dividend for 2009 paid   | -   | -                                    | -   | -                                     | (458)                       | (458)          |
| Interim dividend for 2010 paid   | -   | -                                    | -   | -                                     | (840)                       | (840)          |
| As at 31 July 2010   | 1,044                                     | 33,814                               | 239                                       | 76,555                                | 2,958                       | 114,610        |

**HENDERSON EUROTRUST PLC**  
**Unaudited Financial Statements for the half year ended 31 January 2011**

**Balance Sheet**

as at 31 January 2011

|  | (Unaudited)<br>31 January<br>2011<br>£'000 | (Unaudited)<br>31 January<br>2010<br>£'000 | (Audited)<br>31 July<br>2010<br>£'000 |
|--|--|--|---------------------------------------|
| <b>Investments held at fair value through profit or loss</b> | <b>127,053</b>                             | 116,095                                    | 112,859                               |
| <b>Current assets</b>  |  |  |                                       |
| Debtors  | 1,107                                      | 302  | 492                                   |
| Cash at bank and short term deposits                         | 1,339                                      | 1,709                                      | 3,808                                 |
|  | <b>2,446</b>                               | 2,011                                      | 4,300                                 |
| <b>Creditors:</b> amounts falling due within one year        | <b>(1,207)</b>                             | (5,061)                                    | (2,549)                               |
| <b>Net current assets/(liabilities)</b>                      | <b>1,239</b>                               | (3,050)                                    | 1,751                                 |
| <b>Total net assets</b>                                      | <b>128,292</b>                             | 113,045                                    | 114,610                               |
| <b>Capital and reserves</b>                                  |  |  |                                       |
| Called up share capital                                      | 1,038                                      | 1,148                                      | 1,044                                 |
| Share premium account  | 33,814                                     | 33,814                                     | 33,814                                |
| Capital redemption reserve                                   | 245  | 135  | 239                                   |
| Other capital reserves                                       | 91,526                                     | 76,631                                     | 76,555                                |
| Revenue reserve  | 1,669                                      | 1,317                                      | 2,958                                 |
| <b>Equity shareholders' funds</b>                            | <b>128,292</b>                             | 113,045                                    | 114,610                               |
| <b>Net asset value per ordinary share (note 3)</b>           | <b>618.0p</b>                              | 534.1p                                     | 549.0p                                |

**HENDERSON EUROTRUST PLC**  
**Unaudited Financial Statements for the half year ended 31 January 2011**

**Cash Flow Statement**

for the half year ended 31 January 2011

|   | (Unaudited)<br>Half year ended<br>31 January 2011<br>£'000 | (Unaudited)<br>Half year ended<br>31 January 2010<br>£'000 | (Audited)<br>Year ended<br>31 July 2010<br>£'000 |
|---|--|--|--|
| Net cash (outflow)/inflow from operating activities   | (749)  | (1,032)  | 1,124  |
| Servicing of finance  | (10)   | (1)  | (41)   |
| UK Corporation Tax paid   | -  | -  | (278)  |
| Overseas tax recovered  | 301  | 156  | 176  |
| Net cash inflow from financial investment   | 1,234  | 6,440  | 12,174   |
| Equity dividends paid   | (1,459)  | (1,834)  | (2,674)  |
|   | -----  | -----  | -----  |
| Net cash (outflow)/inflow before financing  | (683)  | 3,729  | 10,481   |
| Net cash outflow from financing   | (1,965)  | (4,666)  | (9,397)  |
|   | -----  | -----  | -----  |
| <b>(Decrease)/increase in cash</b>  | <b>(2,648)</b>   | <b>(937)</b>   | <b>1,084</b>                                     |
|   | =====  | =====  | =====  |
| <b>Reconciliation of operating revenue to net cash (outflow)/inflow from operating activities</b> |  |  |  |
| Net gain before finance costs and taxation  | 15,798   | 12,177   | 16,437   |
| Capital gain before finance costs and taxation  | (15,611)   | (11,992)   | (13,398)   |
| (Increase)/decrease in prepayments, accrued income and other debtors                              | (8)  | 112  | 117  |
| Decrease in creditors and accruals  | (558)  | (938)  | (142)  |
| Expenses charged to capital   | (355)  | (329)  | (1,247)  |
| Tax on unfranked investment income deducted at source   | (15)   | (62)   | (643)  |
|   | -----  | -----  | -----  |
| <b>Net cash (outflow)/inflow from operating activities</b>  | <b>(749)</b>   | <b>(1,032)</b>   | <b>1,124</b>                                     |
|   | =====  | =====  | =====  |
| <b>Reconciliation of net cash flow to movements in net funds</b>                                  |  |  |  |
| (Decrease)/increase in cash as above  | (2,648)  | (937)  | 1,084  |
| Cash outflow/(inflow) from decrease/(increase) in loans   | 1,331  | (4,625)  | (1,346)  |
| Exchange movements  | 179  | 76   | 169  |
|   | -----  | -----  | -----  |
| Movement in net funds   | (1,138)  | (5,486)  | (93)   |
| Net funds at start of the period  | 2,477  | 2,570  | 2,570  |
|   | -----  | -----  | -----  |
| <b>Net funds/(debt) at end of the period</b>  | <b>1,339</b>   | <b>(2,916)</b>   | <b>2,477</b>                                     |
|   | =====  | =====  | =====  |
| <b>Represented by:</b>  |  |  |  |
| Cash at bank  | 1,339  | 1,709  | 3,808  |
| Bank loans  | -  | (4,625)  | (1,331)  |
|   | -----  | -----  | -----  |
|   | <b>1,339</b>   | <b>(2,916)</b>   | <b>2,477</b>                                     |
|   | =====  | =====  | =====  |



**HENDERSON EUROTRUST PLC**  
**Unaudited Financial Statements for the half year ended 31 January 2011**

**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 the Accounting Standards Board and with the Statement of Recommended Practice for Investment Trusts ("SORP") dated January 2009.  
  
 For the period under review the Company's accounting policies have not varied from those described in the Annual Report and Financial Statements for the year ended 31 July 2010. The Financial Statements have not been either audited or reviewed by the Company's auditors.
2. **Return per ordinary share**  
 Return per ordinary share is based on the net return attributable to the ordinary shares of £15,775,000 (half year ended 31 January 2010: £12,123,000; year ended 31 July 2010: £15,980,000) and on the 20,822,816 weighted average number of shares (half year ended 31 January 2010: 22,226,774; year ended 31 July 2010: 21,606,893) in issue.  
  
 Revenue return per ordinary share is based on the net revenue return attributable to the ordinary shares of £170,000 (half year ended 31 January 2010: £135,000; year ended 31 July 2010: £2,616,000) and on the 20,822,816 weighted average number of shares (half year ended 31 January 2010: 22,226,774; year ended 31 July 2010: 21,606,893) in issue.  
  
 Capital return per ordinary share is based on the net capital return attributable to the ordinary shares of £15,605,000 (half year ended 31 January 2010: £11,988,000; year ended 31 July 2010: £13,364,000) and on the 20,822,816 weighted average number of shares (half year ended 31 January 2010: 22,226,774; year ended 31 July 2010: 21,606,893) in issue.
3. **Net asset value per ordinary share**  
 Net asset value per ordinary share is based on the 20,758,425 (half year ended 31 January 2010: 21,166,925; year ended 31 July 2010: 20,876,925) ordinary shares in issue. During the period ended 31 January 2011, 118,500 (half year ended 31 January 2010: 1,801,138; year ended 31 July 2010: 2,091,138) ordinary shares were repurchased for cancellation at a total cost of £634,000 (half year ended 31 January 2010: £9,291,000; year ended 31 July 2010: £10,743,000).
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 2011, there was no performance fee provision (half year ended 31 January 2010: £nil and year ended 31 July 2010: £584,000).
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 28 April 2011 to shareholders on the Register of Members on 1 April 2011. The Company's shares will be quoted ex-dividend on 30 March 2011. Based on the number of shares in issue on 17 March 2011, the cost of this dividend will be £828,000.
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 2010 and 31 January 2011 has not been audited or reviewed by the Company's auditors. The figures and financial information for the year ended 31 July 2010 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 2011**

**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  
17 March 2011